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The Small Business Adviser

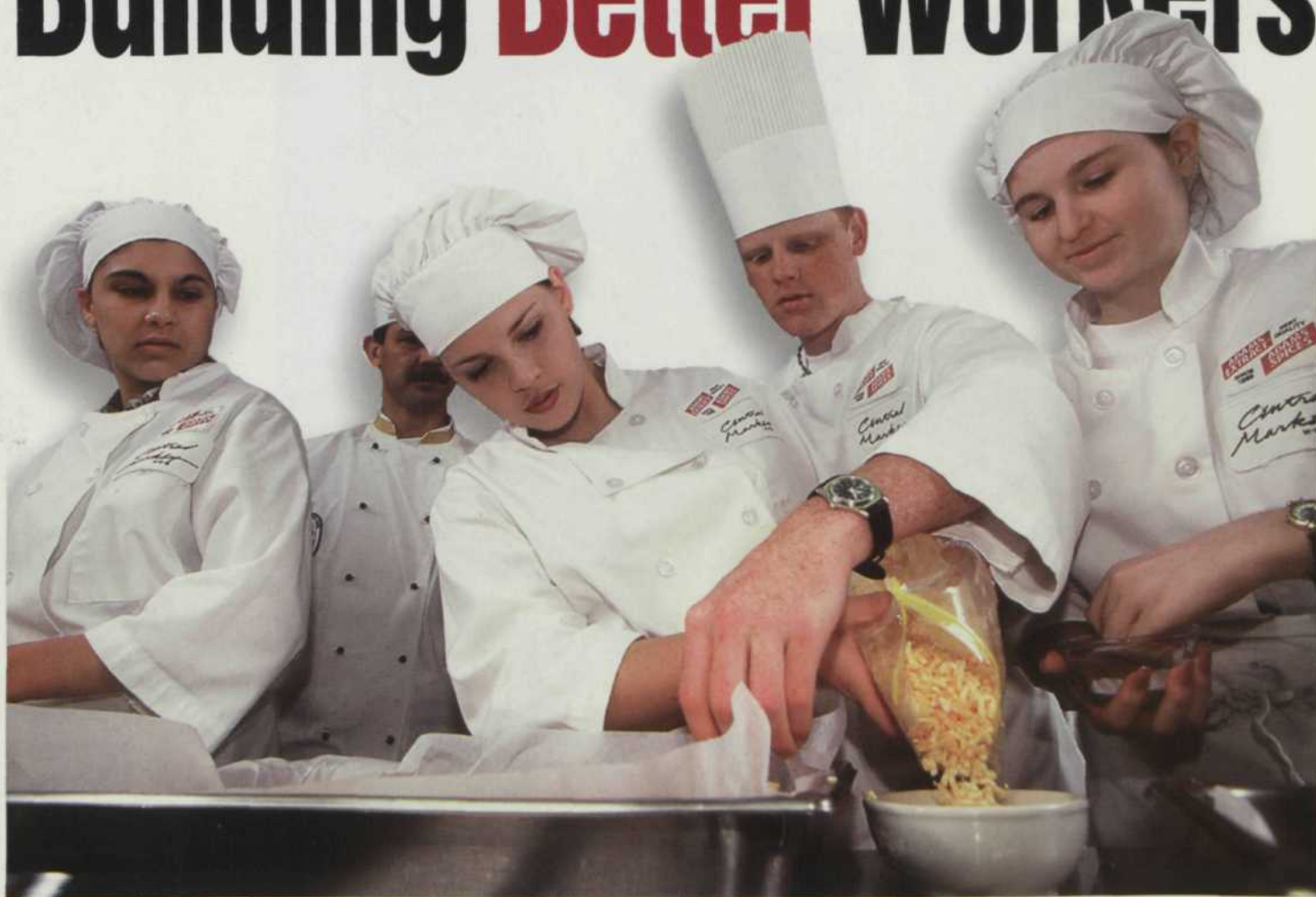
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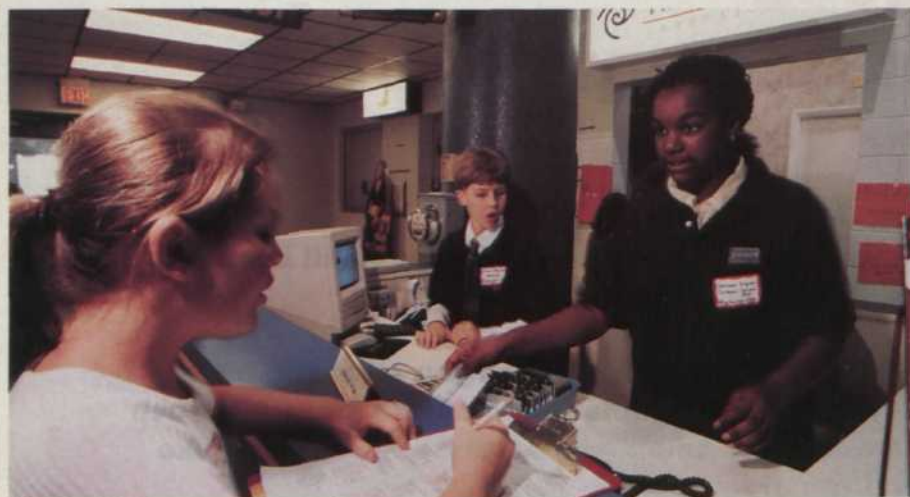


PHOTO: RICARDO FERRO

Hands-on business experience provided for students at the Pinellas County, Fla., school system's Enterprise Village is one of many ways that educators and business leaders are striving to improve work-force skills for the years ahead. Cover Story, Page 18.



PHOTO: EBART BARTHOLOMEW

A team of reindeer set a new course for greeting-card makers Nancy and Ove Norderhok. Making It, Page 90.

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U.S. companies need a more highly skilled work force. Almost all employers can do something to make that a reality.

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PHOTO: SMOKE CLEMMER

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WHERE I STAND

99 On Worker Training

Express your views on training and keeping a well-prepared work force.



Editor's Note

A Stake In Human Assets

I've never met a business owner or manager who didn't want good employees. Thoughtful employers understand the value of human assets—the friendly sales clerk who makes customers want to return, the engineer who can think critically to solve difficult problems, the professional who routinely exercises good judgment in dealing with clients.



But are companies willing to invest in the employee education and training essential to remain competitive in most businesses today? And are employers and communities preparing students for the jobs that will need to be filled tomorrow?

This month's cover story, by Senior Associate Editor Steve Bates, addresses what some businesses and communities have learned the hard way: They must invest if they want to survive. Bates details how companies and communities are responding and how you, your company, and your community can, too. The cover story begins on Page 18.

If you're debating whether to shift your retirement savings to a Roth IRA, you may want to read our story on the pros and cons, beginning on Page 30. It's one of several articles in Small Business Financial Adviser that provide useful money-managing ideas.



This month marks the kickoff of the ninth annual Blue Chip Enterprise Initiative, a program that honors small businesses. It's sponsored by Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; and *Nation's Business*.

"Putting Things Into Focus," beginning on Page 47, notes how some previous honorees have benefited from the program. Among them is garden-supply retailer Bill Stevens, in the photo at left.

To have your firm considered for recognition in 1999, see "How To Apply," on Page 48.

Mary Y. McElveen

Mary Y. McElveen
Editor



PHOTO: ©TOM SOBOLUK—BLACK STAR

Software creator Dane Atkinson stays tuned to industry news via Internet broadcasts. *Small Business Technology*, Page 59.

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On the cover: Chef Peter Wabbel, in the background, oversees banquet preparations by culinary-arts students Nicole Robertson, Amy McDonald, Matt Giambone, and Leslie Voortman in a career class at James Bowie High School in Austin, Texas.

Cover Design: Hans A. Baum

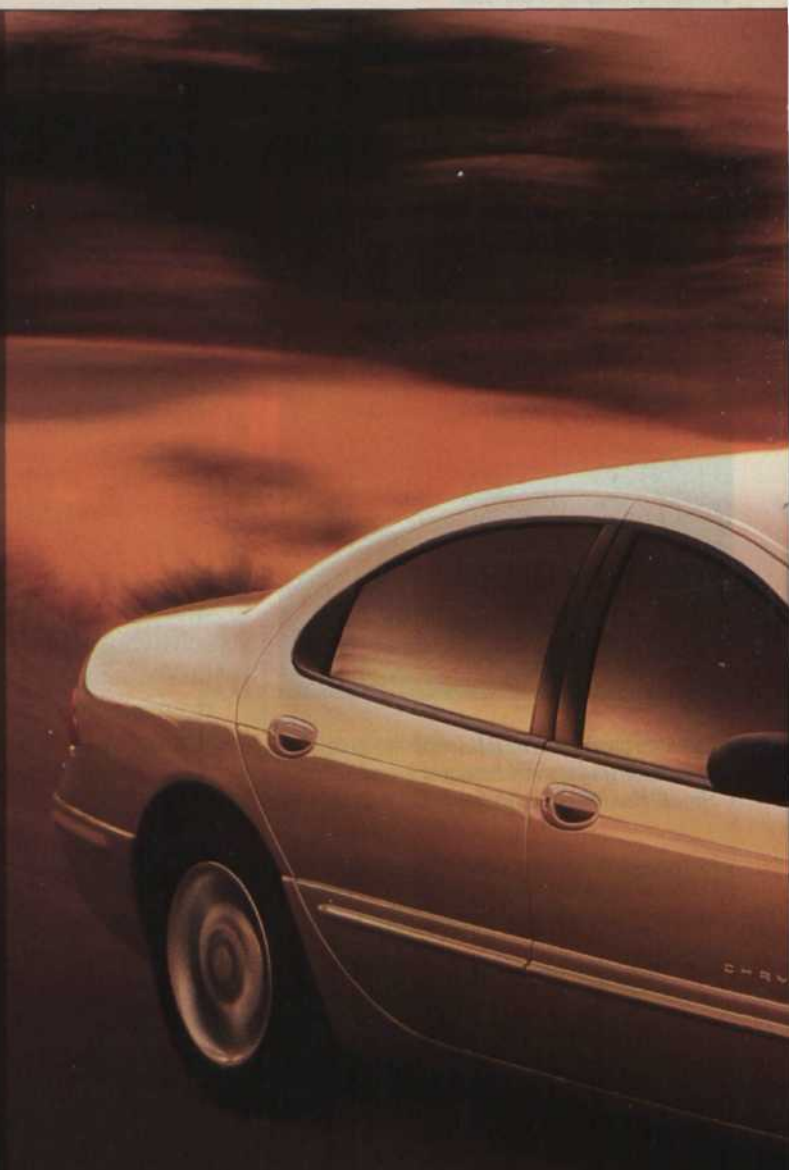
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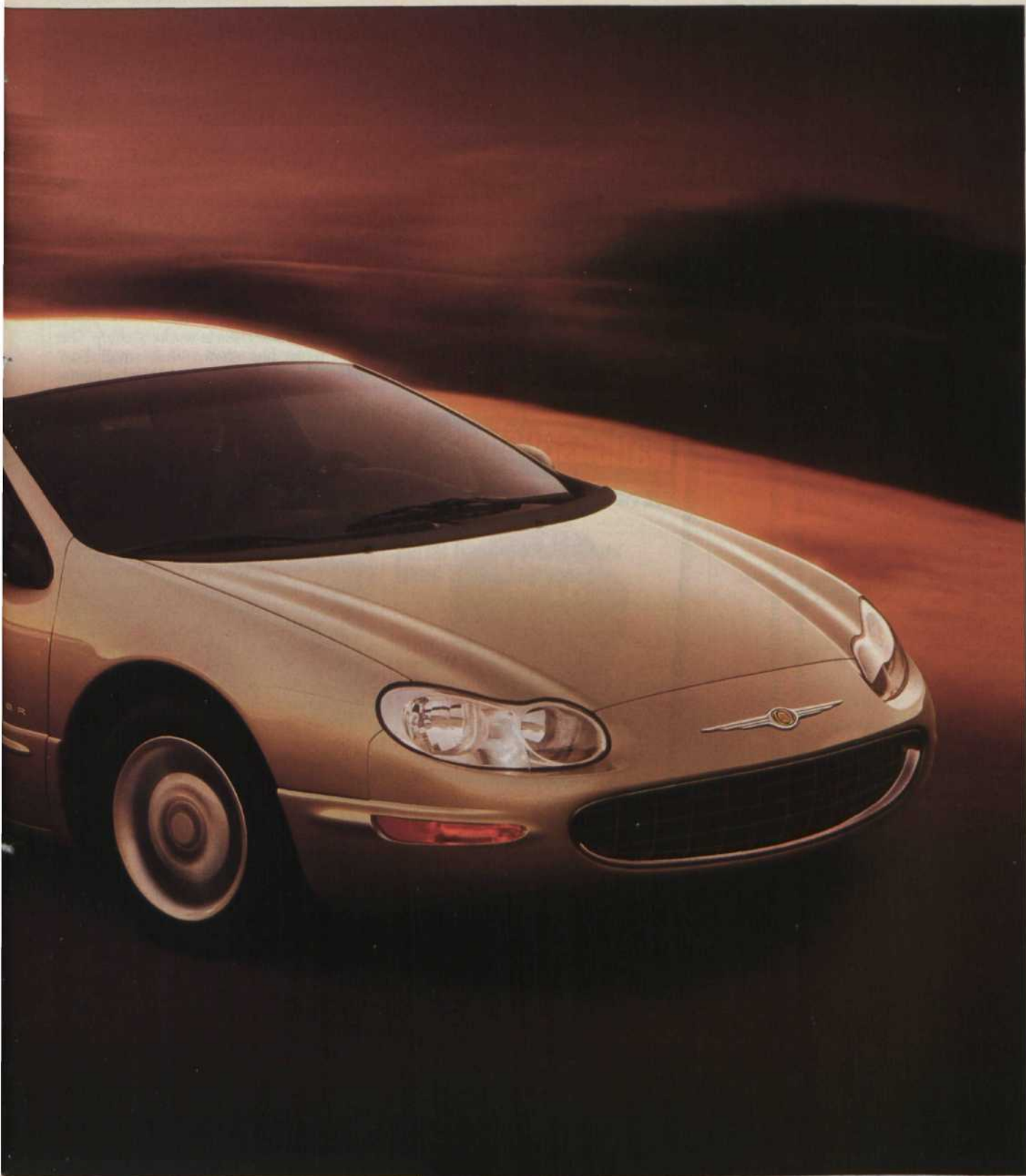


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Letters



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A Weapon In The War Against Workers' Comp Fraud

I found your April cover story, "Fighting Fraud In Workers' Comp," to be worthy of routing to all employees in my organization who are responsible for workers' compensation reporting.

As an employer with employees in a number of states, workers' comp reporting and tracking are a challenge. In



my 1½ years' experience with workers' comp, I have seen two possible fraud cases. Thanks for the tips on how to catch the culprits.

Selena Swartzfager
Business Administrator
U.S. Customs Aviation Program
Madison, Miss.

Employee Leasing's Record

As an executive of a professional employer organization (or PEO, formerly called an employee-leasing company), I read your excellent April cover story, "Fighting Fraud In Workers' Comp," with great interest.

You are correct that the workers' compensation system is an easy target for unscrupulous players. I feel, however, that comment is required on the statement—that employee leasing is one of the industries in which premium fraud is most pervasive.

In the 20-odd years of development of the now multibillion-dollar PEO industry,

its leaders have operated ethical, financially sound companies that have provided excellent solutions to the problems of small businesses. A PEO forms a co-employment relationship with a client company and, in doing so, provides an integrated, cost-effective system of management and administration of human resources and employer risks.

One of those risks is workers' comp. Our experience has shown that small businesses become prey to fraudulent schemes because of their lack of resources and knowledge.

Most PEOs today address that need with full-service staffs made up of safety- and risk-management teams, medical-case managers, and specialists on drug-free workplaces. We can demonstrate that our programs improve the risk experience of our clients. PEOs are able to assure that proper job-risk classifications are used, which further assures an expedient and accurate method of collecting premiums.

I invite you to take a closer look at our industry. You will find that it is made up of responsible employers that help small companies rationalize the inequities in workers' comp and other areas of employer risk.

Phyllis C. Stockfish
Area President
Vincam Human Resources, Inc.
Marietta, Ga.

Stopping Premium Fraud

I have received only three issues of your magazine so far, and already it is clear how anti-worker it is.

Take April's issue, for example. The focus of the cover story on workers' comp fraud is summed up in the introduction: "... employers and their insurers are striking back against this costly brand of cheating." In other words, the source of workers' comp fraud is workers, against whom employers and insurers must strike back.

However, several pages later, tucked at the bottom of a list of ways to prevent fraud, is the suggestion that employers "be honest" with their insurance agents. The article states: "Premium fraud by dishonest employers is as much an issue as claimant fraud by dishonest workers, some experts say."

Why not present a more balanced article recommending steps that can be taken to put a halt to employer dishonesty, as well—something beyond

simply telling employers to "be honest"?


It will take a lot more than encouraging employers to be honest to stop premium fraud.

John Knoff

Finance Director

*Chicago Lawyers' Committee for Civil Rights Under Law, Inc.
Chicago*

Four Ideas For Repairing The Social Security Program

 Your March cover story, "Surplus Mania," examined most of the problems of the Social Security program. However, not until the Republicans stop talking about tax relief for the wealthy will it be possible to fix what is wrong with Social Security.

If both political parties really wanted to



reform Social Security to ensure that it is fully funded, they could undertake four simple steps to weed out fraud, waste, and abuse in the program:

■ Ensure that only living individuals receive monthly checks.

■ Monitor the program to ensure that individuals in prison don't receive checks. Implement a verification program; don't rely only on the state and federal prisons to provide the safeguards preventing inmates from receiving benefits.


■ Stop sending checks to individuals who no longer reside in the United States. Pass a law that would grant them only the money that they and their employers contributed.

■ Operate the trust fund with integrity and not as a cash cow for the Treasury to borrow money from. The surpluses should be invested and utilized to decrease future deficits in the program. Pass a law to prevent any future administration or Congress from borrowing against these funds.

Political leaders on both sides of the aisle should rectify the program with actions and dispense with the ineffective sound bites.

A.L. Rodenburg
Woodbridge, Va.

An Innovative Resource For Small Businesses

 I really enjoy your magazine, with its wonderful articles and informational pieces. As a small-business counselor, I come across a whole array of issues that confront people who are starting or expanding a business. The information you provide is timely and essential to the questions my clients have.

In dealing with many different types of business owners, I try to meet their needs and address their questions with innovative resources, and *Nation's Business* is one of them.

Suzanne Specht


Business Analyst

Small Business Development Center

The Center for Leadership and Innovation

*Florida Gulf Coast University
Fort Myers, Fla.*

Serial Bankruptcy Filings Need To Be Addressed

 I read your editorial "Reforming Consumer Bankruptcy Law" [April] with interest. One area that also needs to be addressed is serial filings of bankruptcies to stall creditors.

A case in point: I started foreclosure proceedings on a home loan in California. The borrowers were deluged with mail from attorneys suggesting that the borrowers file for bankruptcy to stop the foreclosure.

The borrowers have since filed four bankruptcies, have not made a mortgage payment in more than two years, and are still living in the property rent-free while we attempt to get relief through the courts.

Needless to say, there will be a loss upon resale of the home when the judge allows us to take possession.

Fred Alexander


President

F.J. Alexander, A Medical Rental

Corporation

Los Angeles


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Dateline: Washington

Business news in brief from the nation's capital.

IMMIGRATION

Technology Will Target Green-Card Abuse

The U.S. Immigration and Naturalization Service (INS) has turned to high technology to minimize abuse of the so-called green card. The card provides employers with evidence of a job applicant's legal residence—and right to work—in the United States.

INS Deputy Commissioner Mary Ann Wyrsh recently unveiled a new, plastic version of the formerly paper document, saying the new card virtually defies counterfeiting and tampering. Loaded with sophisticated security features, the revamped card is being distributed to newly qualified green-card applicants and to those renewing expired cards. Cards issued since 1989 are valid for 10 years.

Holograms and an optical memory stripe with laser-etched information about the person to whom the card is issued are some of the new features of the document, which is officially called the Permanent Resident Card or Form I-551. Other security features are not readily observable but can be identified by INS officers. For example, each card contains pinhead-size



PHOTOS: IRENE TOUCHTON

New green cards and other identification cards issued by the U.S. Immigration and Naturalization Service feature sophisticated security features; they were unveiled recently by Mary Ann Wyrsh, deputy commissioner of the INS.

portraits of all U.S. presidents.

Any employer who believes that an ap-

plicant's or employee's green card is not genuine can ask the person to provide alternative documentation, the INS notes.

For answers to questions about Form I-551, call the INS at 1-800-357-2099 or visit the agency's World Wide Web site, www.ins.usdoj.gov.

In another matter related to immigration documents, the INS has announced that it is proceeding with a plan to reduce the number of documents that potential new hires—legal immigrants and U.S. citizens alike—can provide to employers to verify their identity and eligibility for employment.

A proposed rule, which was subject to public comment for several months, would allow only 13 documents (a green card is among them) to be considered—down from the current 25.

The INS says that some of the documents slated for exclusion are easy to counterfeit and that the change would simplify the process for employers.

—Steve Bates

LABOR

House-Passed Bill Would Help Firms Resist Union Organizing

House-passed legislation now pending in the Senate would give small businesses a stronger hand in resisting union organizing tactics, including "salting," and in defending themselves against charges of unfair labor practices.

The measure would reform the National Labor Relations Act (NLRA), which regulates the relationship between employers and unions, and curb the power of the National Labor Relations Board (NLRB), which administers the NLRA. Among the highlights of the House-passed measure:

■ Employers would not have to hire "salts"—job applicants whose "primary purpose" is not to work for the employer but to organize a union or hurt the company financially. The practice of going to

work for a firm with the intent to organize a union is known as "salting." The U.S. Supreme Court has ruled that this practice is legal under the NLRA.

■ The NLRB would have to hold hearings on a union's attempt to organize just one location of a multiple-site employer instead of having to try to reach all employees at all locations at the same time. Congress for several years has prohibited the NLRB from issuing a rule allowing such organizing methods.

■ The NLRB would have to issue decisions within a year on unfair-labor-practice complaints that an employer fired a worker to encourage or discourage union membership.

■ Small businesses could win attorney fees and administrative costs when they

prevailed against an unfair-labor-practice complaint filed with the NLRB.

The measure, which was backed by employer groups including the U.S. Chamber of Commerce, passed the House by a 202-200 vote March 27.

Rep. William Goodling, R-Pa., chairman of the House Education and the Workforce Committee, said the bill, if enacted, would "inject a greater degree of fairness" into the relationship between small businesses and the NLRB.

Opponents, principally Democrats, charge that the salting provision is designed to undermine unions and would result in discrimination by employers.

The Clinton administration opposes the provisions in the House-passed bill. No action has been scheduled on similar Senate legislation, sponsored by Arkansas Republican Tim Hutchinson.

—James Worsham

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TRANSPORTATION

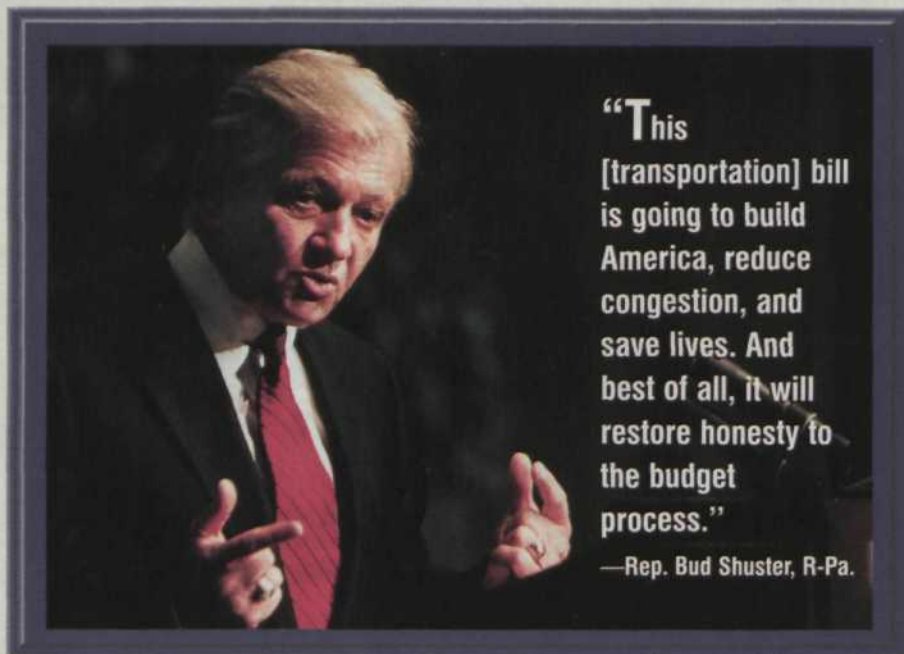


PHOTO: T. MICHAEL KEZA

"This [transportation] bill is going to build America, reduce congestion, and save lives. And best of all, it will restore honesty to the budget process."

—Rep. Bud Shuster, R-Pa.

Conferees On Highway Bill Struggle To Prevent Fund Cutoff

Conferees from the Senate and House were working at press time to resolve their differences over a six-year reauthorization of the nation's transportation funding law, but they appeared unlikely to complete action soon enough to avoid a cutoff of funds to the states.

Competing measures passed by the two chambers are relatively close on how much spending to authorize—\$214 billion in the Senate and \$217 billion in the House. The lower figure would still be an increase of about 40 percent over current levels.

However, the bills differ on the crucial issue of whether Highway Trust Fund monies—raised primarily through taxes on motor fuels—should be used solely for transportation. Currently, some trust-fund money is set aside to help the federal government balance the overall U.S. budget.

Also, the two chambers adopted different formulas for returning fuel-tax receipts to the states, though both endeavored to reduce inequalities that have left some states—particularly in the South—getting back less than 80 percent of what their motorists contributed at the pump.

The Clinton administration and many legislators have decried what they see as excessive "pork"—projects earmarked for individual lawmakers' districts—in the House bill. And many legislators remain concerned about where to find offsetting spending cuts in other parts of the federal budget so as not to violate last year's historic balanced-budget agreement.

The conference committee chairman, Rep. Bud Shuster, R-Pa., has said he is willing to compromise on several issues if

legislators would ensure that the trust fund will be used solely for transportation in the future.

"This bill is going to build America, reduce congestion, and save lives," said Shuster. "And best of all, it will restore honesty to the budget process by ensuring that the gas taxes that the American people pay at the pump will only be used for transportation purposes."

A six-year transportation bill expired last Sept. 30, but funding was continued through April. With the House-Senate conference expected to last well into May, some states face the prospect of shutting down current or planned highway or bridge construction or repair projects until a new measure can be signed into law.

A recent survey by the American Association of State Highway Transportation Officials indicated that more than 1,400 projects, valued at more than \$2.5 billion, could be affected.

Business organizations are urging quick agreement on a new law and say there is a serious backlog of needed infrastructure repairs that justifies significantly increased spending.

—Steve Bates

EMPLOYMENT TAXES

Electronic-Filing Rule Delayed Again By The IRS

The Internal Revenue Service once again has extended the deadline for small and midsize businesses to file their federal income and payroll taxes electronically.

The agency extended the deadline to Jan. 1, 1999, from June 30, 1998. Until the new deadline date, the IRS will not impose a 10 percent penalty on firms continuing to

FEDERAL JOB BANK

Service Matches Employers With Disabled Job Seekers

Profiles of more than 1,000 college students and recent graduates seeking summer internships or permanent employment nationwide are available free of charge to business owners. The candidates are skilled in a wide variety of fields, and each has a disability.

This four-year-old effort to help employers find workers and the disabled find jobs is co-sponsored by the U.S. Department of Defense and the President's Committee on Employment of People with Disabilities. It's called the Workforce Recruitment Program for College Students with Disabilities (WRP).

Each year the WRP sends recruiters to more than 130 colleges and universities in more than 40 states, the District of Columbia, and Puerto Rico to interview eligible candidates—disabled students pursuing two- or four-year undergraduate or graduate degrees. The 1998 candidate database was released March 18, and 204 people had already been hired by the beginning of May, said Paul Meyer, deputy executive director of the president's committee.

To obtain a copy of the database on a CD-ROM, fax a request on company letterhead to WRP Manager at (202) 376-6868.

The president's committee is a small federal agency based in Washington and is responsible for facilitating communication, coordination, and promotion of public and private efforts to enhance employment of people with disabilities. For more information on the agency, chaired by former Rep. Tony Coelho, visit its World Wide Web site, www.pcep.gov.

Recently, Thomas J. Donohue, president and CEO of the U.S. Chamber of Commerce, was named head of the agency's Business Leadership Network, a partnership of employers committed to interviewing and hiring qualified job applicants with disabilities. Specifically, Donohue will foster the network's expansion by facilitating alliances with state and local chambers of commerce and individual businesses.

Some small firms have enjoyed great success by integrating disabled workers into their work forces. (See "An Enabling Work Force," on Page 93.) —Albert G. Holzinger

use paper forms to make payments at their banks, which forward the money to the IRS.

The electronic-filing requirement applies to businesses with \$50,000 or more a year in federal income- and employment-tax deposits.

This extension is the latest of several for the requirement, originally scheduled to take effect July 1, 1997.

—James Worsham

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ENTREPRENEUR'S NOTEBOOK

By Karen Weiner Escalera

Pre-emptive Ways To Boost Morale

When you hear an employee is unhappy, he or she may already have one foot out the door. The resulting undercurrents can have a damaging effect on the rest of the staff, even after the troubled worker leaves. To create a core group of people around which a small business can build, you must know how employees are feeling before someone becomes unhappy enough to consider leaving.

With that in mind, my New York City marketing-communications firm, KWE Associates Inc., has put a major focus on employee morale, not with lip service but with tangible programs—from professional development to rewards for jobs well done.

The results have been noticeable. Since our effort began in earnest in 1994, the average length of tenure for our 18-member staff has more than doubled. Creating an environment in which people want to work has improved our retention rate, attracted job candidates, and led to greater continuity and better service in client relationships.

Saying you want to improve morale is easy. Doing it is more difficult, but here are some steps I recommend:

Put your time and money where your mouth is. Improving morale is not just about handling workplace-related issues or caring about the lives of your staff members. You'll need to establish a budget and develop a plan that addresses key issues annually.

While some issues can be costly to resolve, we have found that the hard-dollar

Karen Weiner Escalera is president and founder of KWE Associates Inc. in New York City. She prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to this column. Write to: Entrepreneur's Notebook, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



PHOTO: GUSA QUINONES—BLACK STAR

Creating an environment in which people want to work has paid off for Karen Weiner Escalera and her marketing-communications firm.

costs of other morale-related programs can be as little as \$50 to \$100 a month. Many issues (such as improving productivity and interest at staff meetings) or training programs (such as our monthly "lunch-box workshops," professional-development seminars followed by lunch) can be handled with thoughtful and creative input, not lots of dollars.

Likewise, it's amazing what spot bonuses or giving lunch on the house, the latest best-selling book, or an afternoon off can do for morale—all with little spending.

Get to know your people. Employee relations are a little like client relations: To be successful, you must identify individual needs and motivations. The key is creating an environment with enough flexibility that workers feel you are addressing them personally. We have created a list of rewards, big and small, called the Kudos Collection that lets us recognize individuals based on what they would like most—whether it's a day off, a \$50 bonus, or a visit to a salon.

Make sure others champion the cause. Support from the firm's president is

crucial, but you'll need help from someone closer to the trenches. By designating an employee to act as a sort of internal ombudsman, you can have someone to listen to workers and assess and solve problems. The person should not be a mouthpiece for management or the staff's designated whiner but rather an employee advocate.

Listen, don't just hear. We surveyed employees about the workplace environment and were surprised by some of the issues that came up. Once you become aware of what is troubling your staff, address the issues that can be solved quickly. Prioritize the others and focus on a few that can be corrected within a year.

Communicate, don't just act. Because you can't fix everything at once, let your staff know where things stand and be ready to hear new concerns. Hold meetings, create a newsletter, or send group electronic mail to give regular progress reports and general company updates.

Follow through. Nothing quashes employee morale more than broken promises. If you promise change, deliver it. **NB**

WHAT I LEARNED

Taking steps to keep employees happy before they can find a reason to complain has numerous benefits for a small firm.



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Managing Your Small Business

Screening your way to double savings; making the most of a trade show; sidestepping the middleman.

By Thomas Love

COMMUNICATIONS

A High-Tech Way To Save Time And Money

Small-business people know that time is money, so they're always pleased when they can save a minute here or a minute there. But when they can save both time and money, they're doubly pleased.

Ad hoc videoconferencing can be a way to save both of these precious commodities. Lynn Bentley, senior vice president of The Curtiss Group International, an executive-search firm based in Boca Raton, Fla., says that on occasion, videoconferencing "has been a great timesaver for both us and our clients."

"I did a search not too long ago that required me to talk with some candidates in Los Angeles," he says. "Rather than spending a day to get out there, part of a day there, and a day to get back, I accomplished the same thing in a couple of hours."

This saved not only time but cash, since there were no costs for air fare, hotels, and other travel expenses.

Bentley uses the videoconferencing services of Stratosphere Multimedia Corp. of New York City and Boca Raton, which does work for firms—particularly small businesses—around the world.

Sally Windman, director of operations and executive sales for Stratosphere, says



PHOTO: STOM SALYER

Videoconferencing can have advantages over in-person interviews, says Lynn Bentley, right, senior vice president of an executive-search firm that uses the services of Stratosphere Multimedia Corp. Stratosphere's Sally Windman is seen on the monitor at left; her view of Bentley appears on the other monitor.

the use of videoconferencing internationally has grown by 68 percent in the past year.

Windman says that Stratosphere's small-business videoconferencing customers typically use two or more of the 3,000 public communications rooms

around the world. Larger videoconferencing customers, she says, sometimes have their own video facilities.

Windman acknowledges that videoconferencing is not cheap. It costs from \$250 to \$500 an hour per site plus communications charges, which can vary widely depending on the speed of connection and the number of sites. However, she says that compared with traveling, videoconferencing can save a substantial amount of money.

For instance, if a company wants to roll out a new product or hold training seminars in several cities, travel costs for the staff can be prohibitive—even discounting the value of the time spent.

Bentley, who says he always needs face-to-face interviews with the finalists in an executive search, nevertheless believes that the savings from videoconferencing during the early parts of a search can be worthwhile, particularly because many of his candidates live outside the United States.

He adds that he's impressed with the latest technology in videoconferencing. "One of the difficulties in the past was that you didn't really get the feeling of television" because of slow transmission, he explains. "Now it's so fast that it's almost the same as sitting there and conversing by TV."

TRADE SHOWS

Planning And Execution Are The Keys To Success

Success at a trade show, as in any other business activity, requires careful planning and precise execution. The Piccirilli Group, an advertising and marketing consulting firm in Bel Air, Md., offers on its World Wide Web site, www.picgroup.com, these and other trade-show tips for exhibitors:

- Set specific objectives. For instance, aim for 300 new sales leads, 150 appointments, or \$300,000 in purchase orders.

- Develop an inviting theme. This will add interest and energy to your booth. Extend the theme to your display and promotional materials—for instance, highly visible giveaways featuring your logo.

- Promote your participation in the show. Draw attention by advertising, sending out press releases, and mailing post-

cards to potential and existing customers.

- Turn an invitation to your booth into a response device. For example, inform recipients that they can exchange the invitation for a gift or a chance in a drawing.

- Staff your booth with well-trained people who get along with others and have ample knowledge of your products.

- Design a display that is easy to navigate. Use signs that are consistent, easy to read, and prominent. Consider hiring an attention-getter such as a caricature artist or a celebrity.

- Make it easy for visitors to place orders. If you have electronic-ordering capabilities, have a computer ready to place orders on the spot.

- Follow up promptly on orders and sales leads. Add customer and prospect names to your database and send notes saying "Thank you for your order" or "It was a pleasure meeting you."

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MARKETING

Finding A Different Route To Reach Customers

When Rachel A. Torchia saw that the future of her company was dimming, she rethought who her customers were and how to get to them.

Torchia is owner and president of Gateway Title Co. of Brecksville, Ohio. As is true of most real-estate title- and escrow-service companies, she worked through real-estate agents and their companies to get business. But a couple of years ago, she sensed that the title-company business was changing.

"I realized that many title companies, no matter how well-established, were being locked out as Realtors formed more and more affiliations with other title companies," she says. "Although dealing with the Realtors was the traditional way of doing business in this area, I knew there had to be another way."

If she couldn't get business leads from agents, where could she go? The answer she arrived at was: directly to potential customers.

"I spent three or four months running around on Sunday afternoons going to houses being sold by their owners, introducing myself, and telling them that if they found a buyer, I was there to help them. They could turn the sale over to us, and we would take it from that point.

"People asked, 'Do you mean, I can just call you?' I told them that's what everyone does: Realtors call us, attorneys call us—that's the next step" after finding a buyer.

There was a definite need among these owner-sellers, she recalls. "It was clear that FSBOs [for sale by owners] needed to know what to do once they found a buyer."

The FSBO market has been increasing as people refinance themselves out of equity and can't afford to pay an agent and as downsizing by companies forces people to sell before they can build equity, Torchia says.

This has left her a largely open field because many title companies are afraid to talk with FSBOs for fear of being shut out

by real-estate agents, she says. "The Realtors see us as taking business away from them, which we're not. I don't care how someone sells a house. I don't encourage them to do it themselves, but if they do, they need help, and I provided the answer to that need."

Gateway now reaches about 5,000 FSBOs a year; many new customers are referrals from other satisfied customers—"something unheard of in our business," Torchia says. The firm has grown from four



PHOTO: ©BRUCE ZAKE

When she detected that her title company could lose business because of competitors' affiliations with real-estate agents, Rachel A. Torchia found success by going directly to homeowners selling their properties on their own.

employees to 22. In fact, Gateway has been so successful that larger firms in the area are trying the same tactic.

Torchia's inventive customer targeting resulted in her being named a 1997 honoree in the Blue Chip Enterprise Initiative, an annual program that recognizes small firms that have overcome challenges. It's sponsored by Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; and *Nation's Business*.

For information on the next Blue Chip awards competition, see "Putting Things Into Focus," Page 47.

PROMOTION

What A Reporter Needs To Tell Your Firm's Story

Publicity is one of the most effective marketing tools for a small business, but how should a small firm promote itself to the news media?

The Art of Self Promotion, a quarterly newsletter on marketing, says storytelling is the key because, ultimately, every business story is a human-interest story.

The newsletter lists four elements a reporter needs to help tell a company's story:

Personality. A company is faceless without the people who run it. The personality of the people in your business must be conveyed with a sense of who they are.

Facts And Figures. These help reporters anchor a story in reality. If you don't want to divulge sales figures, you can talk about rate of growth. For instance, say: "Our sales have doubled in the last year" or "We've already met our sales objectives for the year, and it's only July."

Anecdotes. Real-life examples of how you solved problems bring a story to life. Tell the stories behind the facts and enhance them with details that will make people want to listen.

Details That Reveal. Reporters want interesting details about the people behind the companies. For instance, maybe the contents of your refrigerator reveal something about your marketing strategy.

For more information about *The Art of Self Promotion* or to order a subscription, call 1-800-737-0783 or write to P.O. Box 23, Hoboken, N.J. 07030-0023.

NB TIP

Learning The Language

Do you speak Kituba? How about Igbo? Or perhaps Twi?

None of the above African languages? Or even a more common tongue? Then you are like most American business people, who are not known for their proficiency in foreign languages.

If you foresee doing business outside the United States, you might want to learn these or other languages, such as Spanish, Japanese, or Finnish. The National Audiovisual Center, part of the U.S. Department of Commerce's National Technical Information Service, offers complete courses in 42 languages, from Amharic (Ethiopia) to Yoruba (western Africa, principally Nigeria).

The courses, produced and used by government agencies such as the Foreign Service Institute, the Defense Language Institute, and the CIA, come with audio-cassettes, videotapes, and/or texts for self-instruction or classroom use.

To learn more, call the National Audiovisual Center, (703) 605-6184, or visit its World Wide Web site, www.ntis.gov/nac. NB

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Expanding Possibilities

Building Better Workers

By Steve Bates

Two years ago, Advanced Microelectronics, Inc., a fast-growing computer-services company, let its employee-training programs lapse. Within months, productivity sagged and turnover soared at the Vincennes, Ind., firm. Departing workers, recalls CEO Steve Burkhart, offered refrains such as "I'm out of date" and "I'm not keeping up."

Those complaints surprised Burkhart, one of the 13-year-old firm's founders. In the 1980s he had instituted internal training programs in partnership with nearby Vincennes Community College to teach his workers additional skills, but he had not

anticipated the degree of his staff's zeal for learning.

"I'm over 50," he says, "and I always thought: When I'm out of school, I'm out of school." What he found, however, was that he had "60 people each wanting \$10,000 worth" of continuing education.

Burkhart responded by reinstating the training programs with "even more focus." The result, he says, was higher morale and lower turnover. Training is "just about a seven-day-a-week process around here now," Burkhart says. "It seems to be almost a demanded benefit, or people don't feel like they have a valuable job."

And the revitalized training effort was not just targeted to his computer-repair and network-service technicians. Burkhart also offered bookkeepers and other administrative staffers a chance to learn word-processing and spreadsheet software programs at evening classes.

Fearing a low turnout, he offered free pizza to all comers. But workers, who signed up in big numbers, said no enticement was necessary. Training is "a big deal for companies—no matter what size they are," says Burkhart.

Burkhart is just one of countless American employers who have discovered that



PHOTO: GISHAWAN SPENCE

Feeding workers information and pizza at Advanced Microelectronics, Inc., a computer-services firm in Vincennes, Ind., are trainer Bob Haygood, seated, and, behind him, CEO Steve Burkhart.

U.S. companies need a more highly skilled work force. Almost all employers can do something to make that a reality.



finding and keeping good workers is one of the greatest challenges facing them today. An expanding U.S. economy and a correspondingly low unemployment rate have created a powerful demand for intelligent, well-trained workers, especially in booming technology-related businesses.

Companies are going to great lengths—and great expense—to find experienced workers, often luring them from competitors or bringing them in from overseas. Some firms hoping to snag entry-level workers sent representatives to Florida beaches this past spring to interview college students who had gone there for spring break. Other companies are trying equally creative means of attracting workers. (See “Smart Tactics For Finding Workers,” January.)

Businesses are stretching the bounds of what is normally considered the work force to fill staff vacancies. They're recruiting retirees and offering computer-related training to people who have little or no background in the field. And, in an initiative that benefits government, society, and business, firms are hiring individuals off the nation's welfare rolls.

While such programs are helping to reduce the backlog of job vacancies—particularly in high-tech industries—they aren't enough to guarantee an adequate supply of capable workers. Business leaders are increasingly coming to realize that the work force necessary for fueling America's economy now, in the near future, and into the 21st century is not one that they can simply buy or borrow. They must build it.

Small Firms Hit Hard

Small businesses have been hit particularly hard by the shortage of skilled workers. Many of them lack the personnel departments that larger firms employ to focus on such tasks as recruitment, and they can't afford to match the financial incentives that

Constraints On Growth

Percentages of CEOs surveyed who were scaling back their revenue estimates for the following year because of a shortage of trained and skilled employees.



SOURCE: COOPERS & LYBRAND LLP

large firms can offer potential employees.

Finding workers is “the No. 1 priority for our company,” says Steve Kenda, CEO and president of Kenda Systems, based in Salem, N.H. The firm employs just over 100 full-time workers and uses about 600 contract workers to provide temporary information-technology services.

“It’s the primary reason for our company not growing faster,” says Kenda. The firm has “lost a lot of people to recruiters” but is bringing on two talent coordinators to ensure that Kenda Systems finds and keeps the best people.

A recent survey of small but growing companies such as Kenda’s, conducted by New York City-based professional-services firm Coopers & Lybrand LLP, found Kenda’s experience to be similar to those of many other companies. (See the chart above.)

More than two-thirds of the firms that responded to the survey said that a lack of skilled workers will limit their revenue growth this year—up from 50 percent who said so two years ago and 27 percent in 1993. The skills shortage was by far the most significant factor cited by re-

spondents as limiting growth.

The results of a *Nation's Business* reader poll, which were published in the May issue, underscore the pervasiveness of the skills shortage. Fifty-nine percent of respondents said it has been “very difficult” to find qualified workers in the past year; only 10 percent said that it had not been difficult or that their firm was not hiring.

About half of the respondents said they were unsatisfied with the quality of applicants, and more than one-third said jobs generally remained vacant at least three months as a result.

A Matter Of Money

American businesses spend about 1 percent of their payroll costs on training, but closer to 3 percent might be needed to succeed in the next millennium in competitive industries, some business researchers say.

Though Kenda and Burkhart have put a premium on educating their staffs, many CEOs of small businesses are hesitant to invest heavily in worker training. Some see little immediate payoff to justify employees' time away from the office and the expense of the classes.

Maintaining that view could be a serious mistake, however, says Herbert London, president of the Hudson Institute, a research organization in Indianapolis. The plenitude of cheap workers that existed for generations has all but disappeared, which means that “every potential employee becomes valuable. ... We have to think about investing in human capital,” says London.

There are some pressing reasons to do so. “Placement firms’ fees are going up, and turnover costs are high,” says John N. Evans, deputy director of Arthur Andersen’s Enterprise Group in New York City, which provides advice to midsize companies, many of them closely held.

“Try to be ahead of the curve,” he suggests, by hiring top people, training and

COVER STORY

treating them well, and understanding why they leave. Often, he notes, "compensation is not as important as how employees feel they're treated and empowered." Giving workers access to the Internet and new job-related skills, for example, can make a big difference in their productivity, Evans says.

Business executives frequently "underestimate the role of on-the-job training, both formal and informal," agrees Murray Weidenbaum, chairman of the Center for the Study of American Business at Washington University in St. Louis.

A promising applicant who is not trained in a particular job skill might be better than a less inspired applicant who has experience in a particular job area, says Weidenbaum. "Look for highly motivated young people and train them yourself."

The Shifting Nature Of Work

Investing in quality workers is becoming particularly crucial because the nature of work is changing. Increasingly, employers are demanding not only skills oriented to specific tasks but also the ability to think critically and solve problems.

Fewer and fewer jobs can be performed by people with no special training or skill. Even maids at some hotels must be able to use a computer to maintain an inventory of supplies. Yet more than half of American adults have no formal education beyond a high-school diploma.

"There's no such thing as getting a meaningful job today without a strong academic education," says Rep. William F. Goodling, R-Pa., chairman of the House Education and the Workforce Committee.

High-tech jobs are in supreme demand. While the need for people with those skills will continue to increase in the next few years, the growth of jobs will vary significantly by industry during the early 21st century. (See the chart on Page 21.)

According to the U.S. Bureau of Labor Statistics, the number of technical jobs will continue to grow, but professional specialty positions and lower-paid service jobs will also increase significantly in the next decade. Health services, business services, social services, and engineering, management, and related services will account for nearly half the jobs added to the economy from 1996 to 2006, the agency forecasts.



PHOTO: ©BOB DAEMMRICH

Sharpening the skills of Dėja Gibbins and other students, chef Peter Wabbel gives a lesson in trimming pork at James Bowie High School in Austin, Texas.

Failing To Measure Up

As the need for a better work force increases, many executives say a disturbing number of job seekers don't measure up. A recent survey by the National Association of Manufacturers, based in Washington, D.C., found that 60 percent of manufacturing firms say current workers lack basic math skills, and 55 percent report having employees who are deficient in writing and comprehension.

Perhaps more significantly, many job seekers lack the basic life skills needed to hold any job: preparing a résumé, dressing appropriately for an interview or job, and arriving on time.

Researchers, meanwhile, say the raw intelligence of young people today is higher than that of previous generations. However, their academic achievement isn't keeping pace with their learning potential, according to some measurements.

Nationwide standardized tests show rel-

atively good results for elementary grades, but as young people progress through middle and high schools, their academic achievement appears to tail off by some measurements—particularly scores on mathematics and science tests.

Focus On The Schools

"Public education today is totally inadequate to the task," says William E. Brock, a former U.S. secretary of labor who runs Intellectual Development Systems, Inc., an Annapolis, Md., firm whose programs are structured to enhance intelligence and improve academic performance. "Our schools are not designed for the workplace," says Brock. The worst of it, he says, is that "nobody is telling the kids that they're unprepared."

Many business people share Brock's view. And while some simply throw up their hands in despair, he and others espouse an activist agenda: Business people should demand better results and get involved.

At a February symposium on the work force in Washington, D.C., organized by the U.S. Chamber of Commerce, retired Gen. Colin Powell declared that "we in the profit sector can do a lot more by getting involved in the education of our children." Powell heads America's Promise—

The Alliance for Youth, a national organization based in Alexandria, Va., that encourages volunteerism on behalf of at-risk youth. (See the interview with Powell on Page 25.)

President Clinton and Democratic leaders in Congress are pushing an agenda that calls for hiring 100,000 additional public-school teachers over the next seven years and would spend \$22 billion in just two years to repair and upgrade public-school buildings.

Republican leaders in Congress prefer a plan to create tax-free savings accounts for children's education, to give communities more flexibility in spending federal education aid, and to start school voucher projects in more than 20 cities so families could send students to private schools.

A separate bill, sponsored by Sens. Mike DeWine, R-Ohio; Jim M. Jeffords, R-Vt.; Edward M. Kennedy, D-Mass.; and Paul David Wellstone, D-Minn.—and backed by

the U.S. Chamber and a wide variety of other organizations—would streamline job training. S. 1186, the Workforce Investment Partnership Act, would consolidate skills training, career counseling, and job-bank services and coordinate them with services such as transportation and child care.

But the career-preparation process starts with the public schools. Says Brock: "We need to rethink what it is that we want from education. We're not teaching students to be adaptable, to value job skills and integrity." To demand improvements in education and career programs, says Brock, "small business has got to work in a more collective way."

The federal School-to-Work program, a collaborative effort of the U.S. Education and Labor departments, encourages partnerships between educators and business people. It provides seed money to such partnerships and is scheduled to be dissolved in 2001, at which time local governments, citizens, and community groups would have to fund the efforts.

In some communities where businesses and educators are committed to career-oriented partnerships, young people are gaining much-needed insight into the world of work.

Yet perhaps just as significantly, business people are rediscovering the difficulty—and the importance—of preparing the next generation of workers.

Evans, of Arthur Andersen's Enterprise Group, notes that most compa-

Employment Trends

While the U.S. work force will grow by more than 18 million people from 1996 to 2006, some employment sectors will far outpace others.

Job Category	Portion Of Work Force			Growth In Jobs	
	1986	1996	2006	1986-1996	1996-2006
Executive, administrative, managerial	9.5%	10.2%	10.5%	28.1%	17.2%
Professional specialty	12.2	13.7	15.2	33.7	26.6
Technicians and support	3.3	3.5	3.7	24.0	20.4
Administrative support/clerical	18.7	18.1	17.1	15.1	7.5
Service	15.6	16.1	16.7	22.2	18.1
Agriculture, forestry, fishing	3.3	2.9	2.5	3.4	1.0
Precision production, craft, repair	12.4	10.9	10.2	4.4	6.9
Operators, fabricators, laborers	14.6	13.5	12.8	10.1	8.5

SOURCE: U.S. BUREAU OF LABOR STATISTICS

nies—particularly small and midsize firms—find the vast majority of their work force in the immediate area around their office or plant. That, he notes, means that forming partnerships locally can pay solid dividends. "Start to team up with those schools" in your community to cultivate your future labor pool, he suggests.

A Texas Recipe For Success

If you walk into Peter Wabbel's main classroom, down an ordinary hallway in the middle of James Bowie High School in Austin, Texas, your eyes and ears might be tricked into believing you're in the wrong building.

White-garbed chefs-in-training are bustling around stainless-steel tables. Dishes are being stacked, celery is being sliced, and advice is being offered on sauces and spices. If it seems like a restaurant kitchen, that's because it is.

Wabbel's "staff," male and female students attired in chef's aprons and hats, is preparing a banquet they will serve the next day. The students in the culinary-arts program have their own catering business, and some work in local restaurants after the school day ends.

Are these young people learning marketable skills? Do they have any idea of what the world of work is like? They don't just think so. They know so.

"Look at this; this is fun!" proclaims Dėja Gibbins, 16, a sophomore trimming fat from a pork tenderloin roast. As she works, Wabbel—a professional chef with an impressive résumé—passes by, suggesting that she reverse the direction of the knife.

"The experience is so cool," says Gibbins. She expects "lots of opportunities to get jobs" once she finishes her formal educa-

What Employers Can Do

The following suggestions on what employers can do to improve the U.S. work force are drawn from discussions with business and industry leaders, as reported by Reingold Associates, Inc., a Washington, D.C.-based firm of school-to-work and work-force-development consultants.

For more information on employer involvement, call Reingold Associates at (202) 686-8600 or contact the organizations listed in the box on Page 27.

In The Workplace

- Train employees and their children in nontraditional skills, such as how to interview, how to dress for a job, and how to get a driver's license.

- Develop training programs and flexible schedules that encourage employees to be good mentors and good parents.

- Offer students workplace tours and job-shadowing programs, in which youths spend a day with a worker.

- Hire students as summer employees and as interns and apprentices during the school year.

In The Schools

- Encourage employees to visit schools and tell students about the world of work.

- Work with school officials to design curricula and create practical examples that illustrate how students can apply classroom learning to real-world jobs.

- Bring educators into the workplace to work with employees and gain their own perspective on the working world.

- Create programs with guidance counselors to inform them about what employers and colleges require.

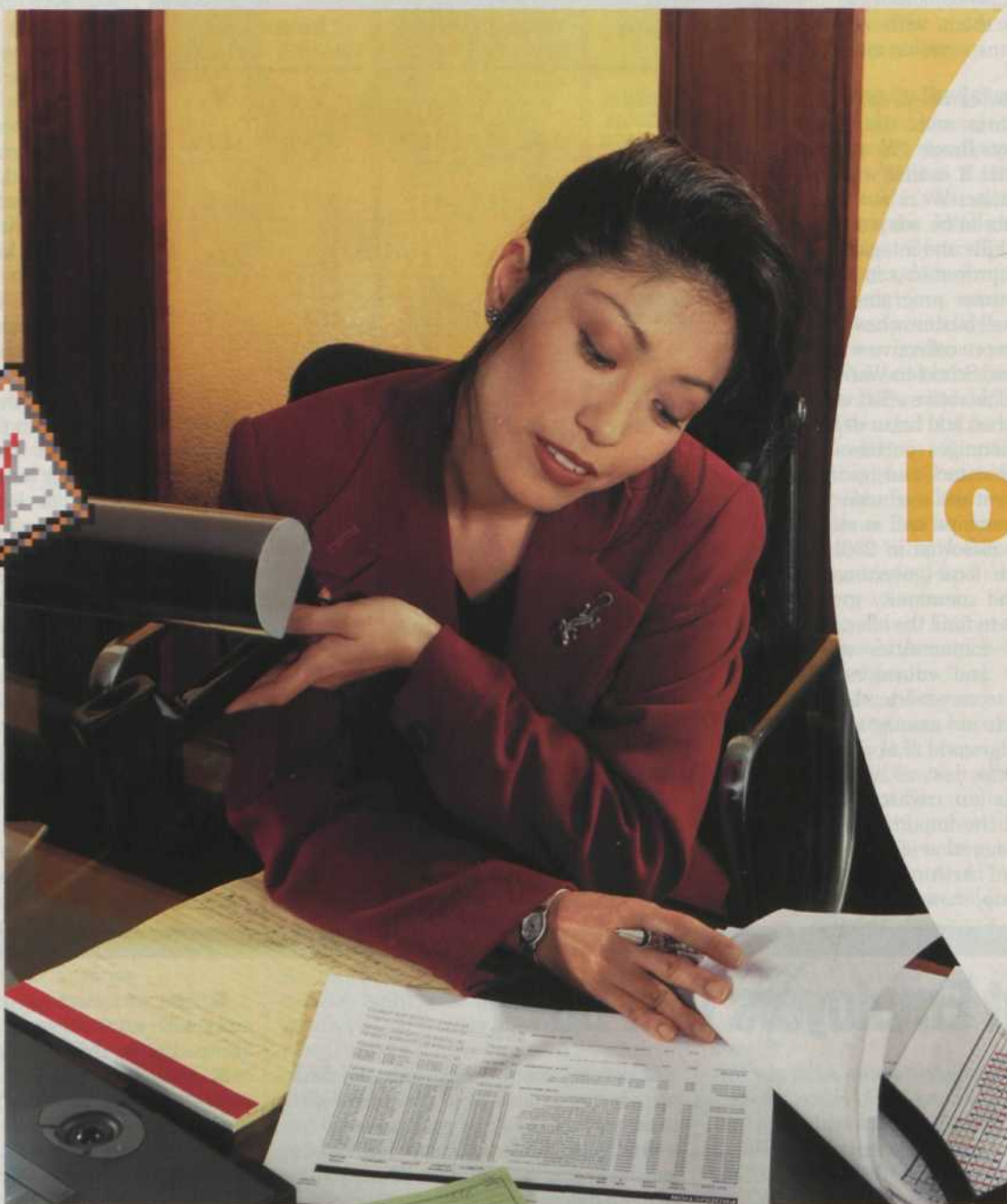
In The Community

- Talk with school boards and consider seeking election to the boards.

- Hold leadership academies in which business and industry executives and officials from other school systems lend their expertise to educators and others.

- Create career days and job fairs at which employers tell young people and their parents what they expect.

- Lobby government officials to support school-to-work programs and to demand strong academic standards.



love

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COVER STORY

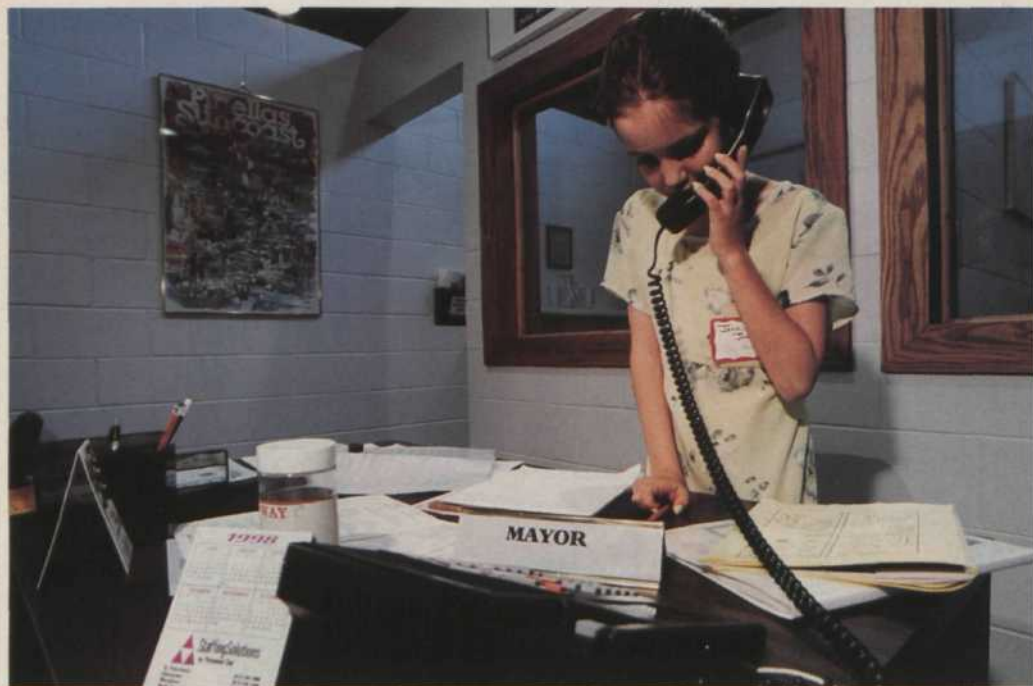


PHOTO: ERICARDO FERRO

She's the boss: Jennifer Jones, 10, a fifth-grader at Garrison-Jones Elementary School in Palm Harbor, Fla., plays the role of mayor at Enterprise Village, a career-training facility in Largo, Fla.

tion. The class spends about 20 percent of its time in a traditional classroom and the rest in hands-on food preparation in the kitchen and in the miniature restaurant next door, where they can practice serving. "The classroom [part of the course] is not the same," says Gibbins. "This is where the magic happens."

Classmate Nicholas Ross, 17, a junior, has an even better idea of what it's like to be a professional chef. Four or five afternoons a week, he works at the restaurant in Austin's posh Four Seasons Hotel, baking breads and preparing desserts.

His older, full-time co-workers at the restaurant "gave me a little bit of a hard time at first," recalls Ross, but "I've kind of earned some respect. I wanted to show them that I know some things" about cooking.

The experience at the restaurant "has shown me that this is what I need to be doing. When I leave, I don't feel that I've wasted my day. I've learned something tangible." Not only that, but the staff at the Four Seasons let him "put some of my own creativity" into the desserts, and they make sure that he earns good grades at school. "They've been a godsend," says Ross.

Culinary arts isn't the only recipe for career preparation at the high school. Industrial electronics is a highly popular elective, particularly because Austin has become home to several high-technology businesses. Students learn in labs filled with the latest scientific gear, and many earn summer jobs at area businesses—as

do some of the school system's teachers.

For example, Advanced Micro Devices (AMD), a Sunnyvale, Calif.-based company that manufactures semiconductors at a plant in Austin, provides internships and apprenticeships to students planning careers in electronics. But it also makes this offer to many promising youths: Sign a contract pledging to work for AMD for at least two years after graduating from college, and the company will pay every penny of your tuition.

Then there's Lanier High School's criminal-justice program, in which students ride with police officers on their rounds and make trips to the Austin morgue. And there's a performing-arts program. And a broadcast-journalism program. In all, there are nine career specialties from which all students in the Austin Independent School District's school-to-work program must choose an area of concentration by the 10th grade.

The students fill thick binders, called career portfolios, to show to potential employers. The portfolios include résumés, photos, and other evidence of their achievements.

Austin Effort No Accident

Austin's career-preparation system didn't happen by itself; as recently as 1995, the Austin schools didn't even offer an industrial-electronics course. Concerned that an unprepared work force would choke the city's economic progress, the business community proposed a partnership with the school system. Educators accepted the challenge.

About 2,500 local businesses have "adopted" schools, providing mentors to individual students or providing state-of-the-art laboratory equipment. Industry leaders meet regularly with educators to plan and adjust career programs in Austin's 10 public high schools.

"We need to look at the data. Do we need high-tech programs in all of the high schools? Do we have too many cosmetology students? We don't want to flood the market," says Diane Hodges, executive director of the city's

school-to-work program.

A key to the success of the initiative is that "students learn to make career decisions," says Hodges. "When you go into high school, you have an individual academic and career plan," she says. "One girl was upset, saying she had discovered that she didn't want to be an accountant" after

having worked toward that goal through high school, notes Hodges. "I said, 'That's wonderful; at least you didn't go all the way through college before finding out.'"

Careers For All Students

The Austin program isn't just for students bound for four-year colleges. In a well-appointed industrial-electronics lab at Austin Community College, teacher Martin Frye gives three high-school students a lesson on impedance in capacitors—a building block to the understanding of the sophisticated devices they will use in their work after graduation.

"Try to be methodical; it will make you a better technician," says Frye as his students punch buttons on calculators. The message is clear: Learn this, and you will get a good job. "I won't go on

Continued on Page 26

"We need to rethink what we want from education. We're not teaching students to be adaptable, to value job skills and integrity."

—William E. Brock,
Former U.S. Secretary
Of Labor

Colin Powell Tells How You Can Help

Retired Gen. Colin Powell, who served as chairman of the Joint Chiefs of Staff under Presidents Bush and Clinton, is now chairman of America's Promise—The Alliance for Youth. The organization, based in Alexandria, Va., is a national not-for-profit group dedicated to improving the lives of at-risk youths, particularly by improving their employability.

In a recent interview with *Nation's Business*, Powell elaborated on the ways in which small-business people can help develop their future workers. Here are edited excerpts from that interview:

Q We've seen impressive contributions from corporate America to America's Promise. Some small-business people may think they can't do anything as significant. What can they do?

A I would start by saying that they are more important than the major corporations because they live in these communities; they are out there in the field.

Every small business out there that can hire a youngster—for an afternoon job, a Saturday job, a summer job, or a holiday job—is providing a safe place for a youngster, putting that youngster in the presence of adults who care about the person, teaching that person responsibility, structure, discipline, math, and how to interact with customers or others in the work environment.

But they have to do more than just hire their partner's kid or their neighbor's kid. They have got to find a kid who might not look like too much right away, who might need a little bit of coaching and training, who might need a little bit of instruction in how to show up on time, dress for the job, and interact with customers.

Q My sense is that small business can get involved in a number of ways.

A There are other roles for small business to play. A small-business manager, a CEO, a boss, can let people go from the workplace for a few hours to go to a school on the other side of town, to spend a few hours with a child, to mentor, to read.

What corporations have found is: We're not losing a thing by doing this. We gain in employee satisfaction; we gain in employee productivity at the end of the day; and we gain in what it says to the community about the responsibility of that corporation in the community.

I know it's hard, but it's so important, and it's going to mean something.

Q Whose responsibility is it to ensure that the schools graduate young people with adequate math and reading skills?

A The reality of life in America is that the ones who make the school system function are the parents. Where you have

school system because those parents demand accountability.

The problem is that we have too many communities in America where that strong parental involvement is not there and sometimes the tax base isn't there. Those schools tend not to be as good.

The way we can compensate for that is to bring adults from elsewhere in the community into that environment to serve as parents.



PHOTO: ICKEN TOUCHTON

Joining forces to provide resources to at-risk youths, America's Promise Chairman Colin Powell gives U.S. Chamber of Commerce President and CEO Thomas J. Donohue a red wagon—a symbol of support and optimism for youth—at a February Chamber symposium.

caring, involved parents who worry about their children and who constitute a strong family unit and who pay real-estate taxes—guess what? You've got a good

enter it knowing it may not be easy. You've got to enter it knowing you may pick up a kid who gives you trouble. But try again, please. Please try again.

Q Some business people are wary of partnerships with educators. It seems that when they put that aside, they learn a lot.

A They're learning a lot about their customers; they're learning a lot about the kind of training programs they'd better have in place as these youngsters come out of high school; and they're learning a lot about their community.

There's a tremendous opportunity there for small-business leaders.

But you've got to

U.S. Chamber Urges Youth Hiring

The U.S. Chamber of Commerce has joined with America's Promise—The Alliance for Youth to encourage companies and organizations to provide jobs for young people this summer.

"This is one way businesses can give students exposure to the workplace and help improve their readiness for jobs later," says Leslie W. Hortum, the Chamber's senior vice president for federation development.

The Chamber is asking companies to make a written commitment to hire students for the summer based on each firm's number of employees. Firms with up to 30 workers are asked to hire at least one youth full time for the summer; firms with 31 to 50 employees, two work-

ers; 51 to 100, three workers; 101 to 500, four workers; 501 to 1,000, six workers; and more than 1,000, seven workers.

Employers should fax their commitments—stating their employment and the number of summer workers they will hire—to Hortum at (202) 463-3137. Commitments may also be sent via electronic mail to lhortum@uschamber.com or by mail to Leslie W. Hortum, Summer Hiring Program, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000.

Participating employers will receive a thank-you letter from Gen. Colin Powell, chairman of America's Promise, and a pin symbolizing the organization's mission.

COVER STORY

Continued from Page 24

until you're sure you can calculate the right answer," he adds.

His students, part of the Accelerated Careers in Electronics (ACE) program, split their time between the community college and Lyndon B. Johnson High School.

"A lot of people get out of high school and don't know what they're going to do," says James Chambers, 18, a senior. In schools without career programs like his, "they teach you stuff, but you don't see what to do with it. We'll really use this in a job. It's not something you just learn and throw away."

ing career programs, the Austin schools "are getting there, but we're not there yet," says Glenn West, who heads the Greater Austin Chamber of Commerce.

He says communities that want to improve the effectiveness of their schools must keep one thing in mind: Education and business leaders must prepare young people for the jobs that are available in that community. "It's very much a bottom-line issue," he says.

And while programs like Austin's are made easier by a booming local economy, that's not a prerequisite. Business people in Las Cruces, N.M., have started with a

students in Pinellas County, Fla., storm into Enterprise Village, a miniature business district. Children enter cinder-block "buildings" to play the roles of grocers, bankers, and other wage earners.

The 18,000-square-foot facility, built by a foundation set up by area businesses and donated to the county school system, hosts about 12,000 students each year. Similar facilities have been built by nonprofit groups or school systems in Indianapolis and other communities, and more are in the works around the country.

It's not a day of idle play for the participating children. For more than a month before their visit to Enterprise Village, they study what it's like to be in the work force. Then they get to put that learning to work as consumers and as employees of one of about 20 mock businesses. They open bank accounts, apply for car loans, deal with customers, and make change.

"It's realistic. It's hands-on, and that's important with today's children," says Keith Gall, manager of the facility. "They really get a sense of what it's like to be a business person and a consumer."

Business Urging Reform

Sometimes, adults need to be reminded what it's like to be a student, say some business people. To that end, the Florida Chamber of Commerce Foundation, a coalition of local chambers in that state, kicked off a program designed to reverse what many business people and other citizens perceived as a decline in the quality of the state's public schools. With a 1994 report titled "No More Excuses," the foundation announced a bold "era of business-led reform" aimed at producing world-class public schools.

Part of the effort is a series of three-day "academies" in communities around the state in which business people, educators, parents, and others learn about practices that are improving academic achievement in schools around the country.

"For years, business people [in Florida] tried to work with school task forces and had been frustrated," says Ruth Mustian, executive director of the state chamber foundation's WorldClass Schools Inc., based in Orlando.

The collective effort is starting to pay off, but "business has to keep the pressure on," says Mustian. That means demanding better results and working in schools with young people. "Don't just donate a used computer," says Mustian.

While children and young adults are the focus of many career-preparation programs, business isn't limiting its efforts to them. In Sacramento, Calif., groups of senior citizens who are near the poverty level are being trained to use software by Microsoft Corp. of Red-

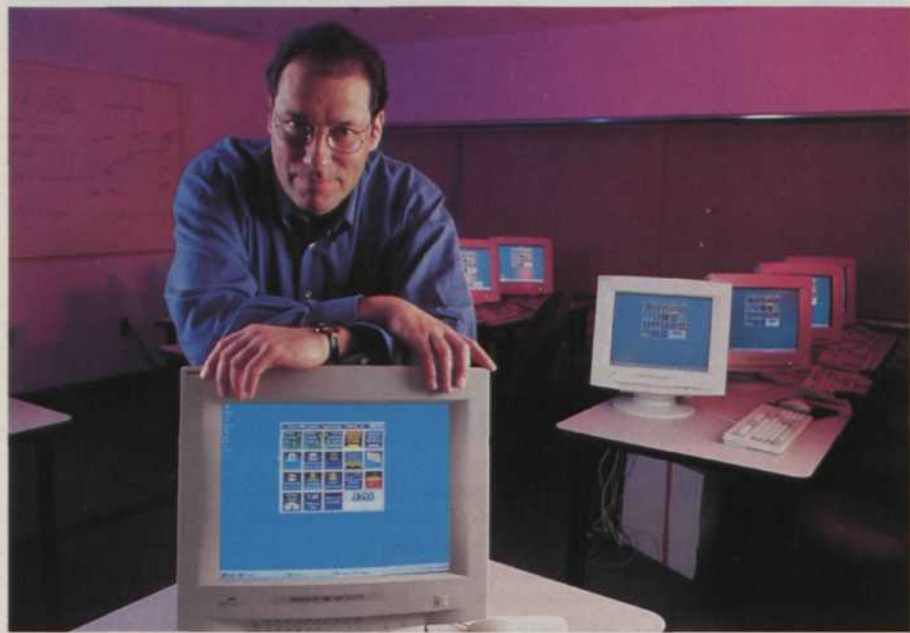


PHOTO: ©SAL DIMARCO—BLACK STAR

A "university concept" ensures that Farid Naib, CEO of financial-software firm FNX Limited in Wayne, Pa., maintains a highly skilled staff

Making It Happen

One of the biggest challenges to putting together a program like Austin's is finding qualified teachers, say city school officials.

Mark Coleman, like Austin Community College's Frye, is certified to teach at the college level. At the moment, though, he doesn't have much time for that. He works full time as a quality engineer for Dell Computer Corp. and spends four hours a day teaching industrial electronics at Bowie High School. His students can earn dual credits toward degrees at the high school and the community college under an arrangement between the institutions.

"I know how it was when I was a student," says Coleman, "and I want to give something back. I really like it when that light bulb goes on" and a student solves an important problem. Classes such as his "make the difference between flipping burgers or working for Dell or AMD," he adds.

Despite their success to date in develop-

more focused program sponsored by local banks. That's good enough for 18-year-old Crystal Vela.

Each morning she attends classes at Oñate High School in Las Cruces, where she is a senior. Each afternoon she works at the Matrix Capital Bank in Las Cruces. And two nights a week, she takes college-credit courses at Doña Ana Branch Community College in town. It's a grueling schedule at times, but she believes that the effort will pay off.

"I feel like I'm really getting ahead in life," says Vela. She is earning \$5.75 an hour at the bank and is rotating through every department to gain a wealth of experience. Before the program, she had no real career plans. Says Vela, "This really gave me a sense of direction."

Educators and business leaders are finding that it's never too early to encourage students to think about careers. Every weekday, about 100 fifth-grade

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	Male	Female	Male	Female	Male	Female	Male	Female
20-25	11.72	11.20	18.81	17.50	30.62	28.00	54.25	49.00
26	11.72	11.20	18.81	17.50	30.62	28.00	54.25	49.00
27	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
28	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
29	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
30	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
31	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
32	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
33	11.81	11.28	19.03	17.71	31.06	28.43	55.12	49.87
34	11.90	11.28	19.25	17.71	31.50	28.43	56.00	49.87
35	11.90	11.37	19.25	17.93	31.50	28.87	56.00	50.75
36	11.98	11.46	19.46	18.15	31.93	29.31	56.87	51.62
37	12.07	11.55	19.68	18.37	32.37	29.75	57.75	52.50
38	12.16	11.72	19.90	18.81	32.81	30.62	58.62	54.25
39	12.33	11.90	20.34	19.25	33.68	31.50	60.37	56.00
40	12.51	12.16	20.78	19.90	34.56	32.81	62.12	58.62
41	12.68	12.33	21.21	20.34	35.43	33.68	63.87	60.37
42	12.86	12.60	21.65	21.00	36.31	35.00	65.62	63.00
43	13.03	12.77	22.09	21.43	37.18	35.87	67.37	64.75
44	13.38	13.03	22.96	22.09	38.93	37.18	70.87	67.37
45	13.82	13.38	24.06	22.96	41.12	38.93	75.25	70.87
46	14.35	13.65	25.37	23.62	43.75	40.25	80.50	73.50
47	15.05	14.00	27.12	24.50	47.25	42.00	87.50	77.00
48	15.83	14.43	29.09	25.59	51.18	44.18	95.37	81.37
49	16.62	14.87	31.06	26.68	55.12	46.37	103.25	85.75
50	17.50	15.31	33.25	27.78	59.50	48.56	112.00	90.12

MONTHLY RATES

Issue Age	\$100,000		\$250,000		\$500,000		\$1,000,000	
	Male	Female	Male	Female	Male	Female	Male	Female
51	18.37	15.75	35.43	28.87	63.87	50.75	120.75	94.50
52	19.25	16.18	37.62	29.96	68.25	52.93	129.50	98.87
53	20.21	16.80	40.03	31.50	73.06	56.00	139.12	105.00
54	21.26	17.41	42.65	33.03	78.31	59.06	149.62	111.12
55	22.66	18.20	46.15	35.00	85.31	63.00	163.62	119.00
56	24.06	18.98	49.65	36.96	92.31	66.93	177.62	126.87
57	25.55	19.86	53.37	39.15	99.75	71.31	192.50	135.62
58	27.30	20.91	57.75	41.78	108.50	76.56	210.00	146.12
59	29.48	22.13	63.21	44.84	119.43	82.68	231.87	158.37
60	32.37	23.62	70.43	48.56	133.87	90.12	260.75	173.25
61	35.96	25.28	79.40	52.71	151.81	98.43	296.62	189.87
62	39.98	27.03	89.46	57.09	171.93	107.18	336.87	207.37
63	44.62	29.05	101.06	62.12	195.12	117.25	383.25	227.50
64	49.87	31.76	114.18	68.90	221.37	130.81	435.75	254.62
65	55.82	35.26	129.06	77.65	251.12	148.31	495.25	289.62
66	62.03	39.55	144.59	88.37	282.18	169.75	557.37	332.50
67	68.68	44.53	161.21	100.84	315.43	194.68	623.87	382.37
68	76.12	50.13	179.81	114.84	352.62	222.68	698.25	438.37
69	84.70	56.52	201.25	130.81	395.50	254.62	784.00	502.25
70	94.85	63.70	226.62	148.75	446.25	290.50	885.50	574.00
71	106.31	71.48	255.28	168.21	503.56	329.43	1000.12	651.87
72	118.82	80.06	286.56	189.65	566.12	372.31	1125.25	737.62
73	132.82	89.33	321.56	212.84	636.12	418.68	1265.25	830.37
74	148.66	99.31	361.15	237.78	715.31	468.56	1423.62	930.12
75	166.77	110.16	406.43	264.90	805.87	522.81	1604.75	1038.62

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MONTHLY RATES

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	Male	Female	Male	Female	Male	Female	Male	Female
20-25	19.86	16.27	39.15	30.18	71.31	53.37	135.62	99.75
26	20.12	16.45	39.81	30.62	72.62	54.25	138.25	101.50
27	20.21	16.53	40.03	30.84	73.06	54.68	139.12	102.37
28	20.21	16.53	40.03	30.84	73.06	54.68	139.12	102.37
29	20.21	16.53	40.03	30.84	73.06	54.68	139.12	102.37
30	20.21	16.53	40.03	30.84	73.06	54.68	139.12	102.37
31	20.30	16.53	40.25	30.84	73.50	54.68	140.00	102.37
32	20.30	16.53	40.25	30.84	73.50	54.68	140.00	102.37
33	20.30	16.62	40.25	31.06	73.50	55.12	140.00	103.25
34	20.47	16.71	40.68	31.28	74.37	55.56	141.75	104.12
35	20.73	16.88	41.34	31.71	75.68	56.43	144.37	105.87
36	21.17	17.15	42.43	32.37	77.87	57.75	148.75	108.50
37	21.70	17.58	43.75	33.46	80.50	59.93	154.00	112.87
38	22.31	18.02	45.28	34.56	83.56	62.12	160.12	117.25
39	23.10	18.55	47.25	35.87	87.50	64.75	168.00	122.50
40	24.23	19.25	50.09	37.62	93.18	68.25	179.37	129.50
41	25.63	20.03	53.59	39.59	100.18	72.18	193.37	137.37
42	27.30	21.08	57.75	42.21	108.50	77.43	210.00	147.87
43	29.22	22.13	62.56	44.84	118.12	82.68	229.25	158.37
44	31.15	23.10	67.37	47.25	127.75	87.50	248.50	168.00
45	33.16	24.06	72.40	49.65	137.81	92.31	268.62	177.62
46	35.00	24.85	77.00	51.62	147.00	96.25	287.00	185.50
47	36.83	25.46	81.59	53.15	156.18	99.31	305.37	191.62
48	38.76	26.07	86.40	54.68	165.81	102.37	324.62	197.75
49	41.03	26.77	92.09	56.43	177.18	105.87	347.37	204.75
50	43.66	27.82	98.65	59.06	190.31	111.12	373.62	215.25

MONTHLY RATES

Issue Age	\$100,000		\$250,000		\$500,000		\$1,000,000	
	Male	Female	Male	Female	Male	Female	Male	Female
51	46.81	29.13	106.53	62.34	206.06	117.68	405.12	228.37
52	50.22	30.53	115.06	65.84	223.12	124.68	439.25	242.37
53	54.07	32.20	124.68	70.00	242.37	133.00	477.75	259.00
54	58.10	33.95	134.75	74.37	262.50	141.75	518.00	276.50
55	62.38	35.96	145.46	79.40	283.93	151.81	560.87	296.62
56	66.32	37.97	155.31	84.43	303.62	161.87	600.25	316.75
57	70.00	39.90	164.50	89.25	322.00	171.50	637.00	336.00
58	74.20	42.17	175.00	94.93	343.00	182.87	679.00	358.75
59	79.71	45.06	188.78	102.15	370.56	197.31	734.12	387.62
60	87.41	48.82	208.03	111.56	409.06	216.12	811.12	425.25
61	96.25	53.37	230.12	122.93	453.25	238.87	899.50	470.75
62	105.78	58.36	253.96	135.40	500.93	263.81	994.87	520.62
63	117.42	64.22	283.06	150.06	559.12	293.12	1111.25	579.25
64	132.56	71.13	320.90	167.34	634.81	327.68	1262.62	648.37
65	152.60	79.36	371.00	187.90	735.00	368.81	1463.00	730.62
66	179.63	88.63	438.59	211.09	870.18	415.18	1733.37	823.37
67	212.80	98.87	521.50	236.68	1036.00	466.37	2065.00	925.75
68	248.85	110.33	611.62	265.34	1216.25	523.68	2425.50	1040.37
69	284.81	123.63	701.53	298.59	1396.06	590.18	2785.12	1173.37
70	317.53	139.21	783.34	337.53	1559.68	668.06	3112.37	1329.12
71	349.12	156.71	862.31	381.28	1717.62	755.56	3428.25	1504.12
72	381.58	175.87	943.46	429.18	1879.93	851.37	3752.87	1695.75
73	411.95	197.05	1019.37	482.12	2031.75	957.25	4056.50	1907.50
74	436.97	220.85	1081.93	541.62	2156.87	1076.25	4306.75	2145.50
75	453.68	247.71	1123.71	608.78	2240.43	1210.56	4473.87	2414.12

Other amounts available upon request. Premiums are based on applicant's age at nearest birthday. Policies are non-cancellable as long as premiums are paid. Premiums may be paid annually, semi-annually or monthly bank draft. (A no-cost medical exam may be required depending on age, health or amount of coverage desired). Premiums above are annual term. Policy Form No. PGART97NW1. Level Death Benefit to age 95. Premiums increase annually. All policies are issued and underwritten by Great American® Life Insurance Company, P.O. Box 5416, Cincinnati, OH 45201-5416. Nearly \$6 billion in assets as of 12/31/97. **NOT AVAILABLE IN ALL STATES.**



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mond, Wash., as part of a pilot program funded by the U.S. Department of Labor.

Others act on their own. Just ask Scott E. Bird of Scottsdale, Ariz., who invested \$8,000 of his personal savings in a series of computer courses for himself last year.

Not a computer guru by nature, Bird nevertheless took the courses to become a Microsoft certified systems engineer, which qualifies him to install and maintain server computers at the core of business networks and the PCs attached to them.

Following that, he continued taking courses until he became qualified to teach people seeking that certification.

In the first two months after completing his courses—working part time, no less—Bird earned back the \$8,000 cost of his courses. Not bad for a 72-year-old.

"All my friends were out playing golf or investing in mutual funds," says Bird, now 73. "They thought I was crazy." He pores over extensive ads for information-technology workers, shakes his head, and proclaims: "This is the wave. Let's catch the wave!"

To Learn More

Here are some organizations that businesses can contact for help in developing a better work force:

■ The American Society for Training and Development, a professional association raising standards for workplace training; Alexandria, Va.; (703) 683-8100; www.astd.org

■ The Center for Workforce Preparation, an arm of the U.S. Chamber of Commerce promoting better skills and positive attitudes among workers; Washington, D.C.; (202) 463-5525; www.uschamber.org

■ Junior Achievement, a nationwide, nonprofit economic-education organization seeking business people to serve as volunteers in schools; Colorado Springs, Colo.; (719) 540-8000; www.ja.org

■ The National Employer Leadership Council, a business coalition promoting employer participation in training activities; Washington, D.C.; (202) 822-8027; www.nelc.org

■ The Welfare to Work Partnership, a nonpartisan effort to move people off public assistance and into private-sector jobs; Washington, D.C.; (202) 955-3005; www.welfaretowork.org

■ WorldClass Schools, Inc., a business-led organization urging education reform; Orlando, Fla.; (407) 418-4441; <http://worldclass.flchamb.com/>

Campus Partnerships

Community colleges and universities are making waves of their own with the young, the old, and everyone in between in partnerships with businesses.

Companies in the Columbus, Ohio, area are sending executives to Ohio State University's prestigious College of Business for short but intensive training tailored to their needs. Programs can last from a few days to a few months, says Joseph A. Alutto, dean of the business school. "You can think of them as just-in-time learning," he says.

At FNX Limited, a company based near Philadelphia that provides software to large financial institutions, no one is hired without passing a pressure-packed, 12-week course in real-world finance.

Even a job applicant with impeccable grades at a major graduate school spends 10 hours a day in class, followed by several hours of homework each night.

Farid Naib, the company's founder and CEO, says he found out the hard way that even the best formal education can't teach people how to do a job. Previously, "when we hired people, we found that they didn't really know enough about the financial markets. We did the 'Go sit with someone who knows what they're doing,' but that wasn't enough."

The firm's "university concept," as Naib calls it, costs at least \$15,000 for each worker added to the payroll. But, like so many growing companies, FNX found that a lack of job skills among employees was the firm's biggest impediment to revenue growth. "We see [the training] as a strategic strength," says Naib.

FNX was a 1997 honoree in the Blue Chip Enterprise Initiative, which recognizes small firms that have surmounted major challenges. The competition is co-sponsored by Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; and *Nation's Business*.

Adds Naib, who forecasts that company revenues will jump to \$24 million this year from \$18 million in 1997, "I don't see this [intensive training] in any of our competitors—yet."

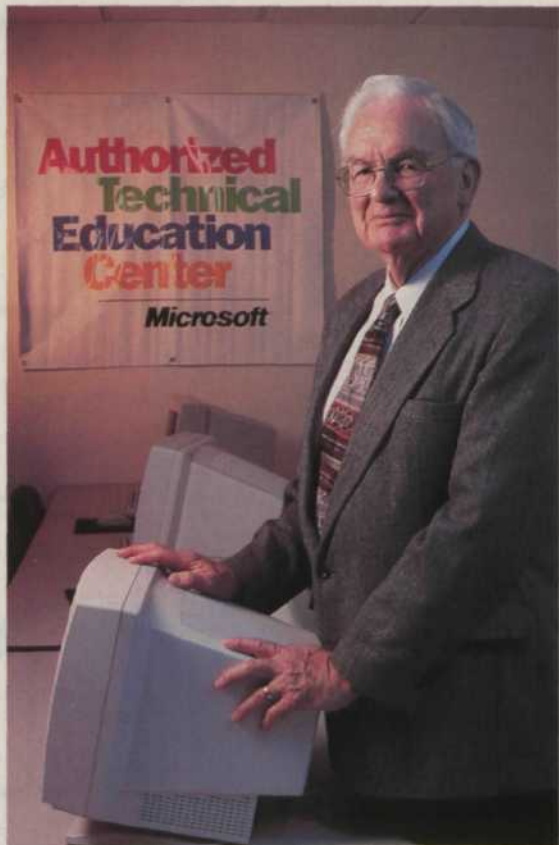


PHOTO: ©PAUL GERO

Riding the wave of new careers for senior citizens, Scott E. Bird teaches aspiring Microsoft systems engineers in Scottsdale, Ariz.

Not every company can afford that kind of training program or offer college scholarships. But almost every company can do something to improve the effectiveness of its employees or give a boost to the work force of the future, say many leaders in the increasingly intertwined worlds of business and education. (See "What Employers Can Do," Page 21.)

To start, says Hodges of the Austin school system, "all it takes is people getting together and saying, 'You do this, and I'll do that.'"

She recalls how frustrated Austin educators were a few years ago when science labs needed new carpets and the school system's procurement policy didn't offer much hope of fast action.

Hodges and other school-system officials met with area business people to see if they could help. Before long, they not only had re-carpeted the labs but also had networked three schools for computer systems.

Says Hodges: "The power of business is just amazing."

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To order a reprint of this story, see Page 92. For a fax copy, see Page 66.

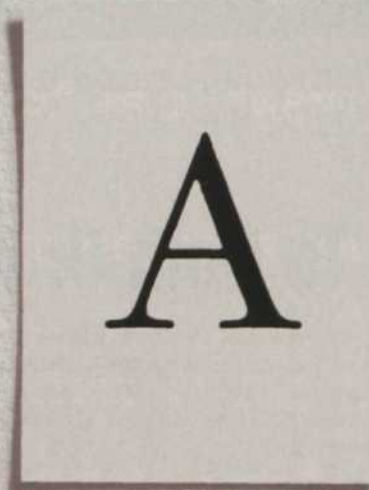
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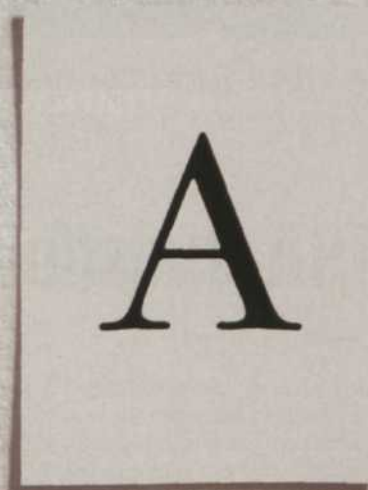
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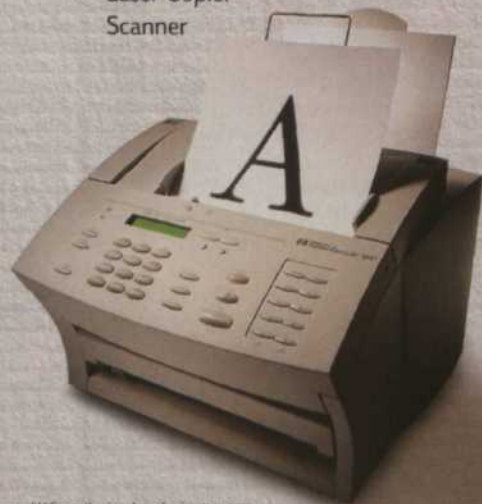
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The pluses and minuses of switching IRAs; estate-tax provisions under siege; credit scoring; shopping Wall Street for bargains.

The IRA Question: To Roth Or Not To Roth?

By Susan Hodges

If, like many people, you have tucked away a tidy sum in an individual retirement account, you face a big decision: Should you convert your current IRA to a new Roth IRA?

Congress gave you real incentive to make the switch: tax-free withdrawals from a Roth IRA compared with taxable withdrawals from a standard IRA. But there's a catch. If you convert, you would pay taxes on the amount you moved to the Roth.

Should you do it?

Accountant Peter Walker has crunched the numbers for many of his small-business clients in Front Royal, Va., and has concluded that it's just too expensive if you already have a sizable IRA. "Many people have \$100,000 or more in traditional IRAs, and converting could cost them over \$30,000 in [federal and state] income taxes," he says.

Moreover, the cost of conversion would be even steeper if you use IRA funds to pay the taxes. Doing so would strip your account of a big chunk of its value, and it also would cost you a 10 percent early-withdrawal penalty if you are younger than 59½.

Congress foresaw this potential tax hardship and decided to permit all those who convert to a Roth this year to spread their tax payments over four years. (Actually, you spread the income from the conversion over four years and pay taxes accordingly.) After this year, however, the tax bill falls due all at once.

Even with four years to pay, taxes on \$100,000 in assets "still come to more than \$7,000 a year," adds Walker. "Lots of people just can't afford it."

If you made nondeductible contributions to an IRA because you failed to qualify for a deductible account, you will be taxed only on the interest, dividends, and capital gains on those after-tax contributions.

Many people who may be in a position to pay the conversion tax won't be allowed

to convert, however. Congress placed an income ceiling on eligibility. Your adjusted gross income—single or married—must be less than \$100,000 this year to qualify for a conversion.

The Rules Of The Roth

The Roth IRA was designed to add flexibility to the retirement options available to Americans. Named for Sen. William V. Roth Jr., R-Del., chairman of the Senate

By contrast, deductible IRA contributions this year are available to individuals who earn less than \$30,000 and couples who earn less than \$50,000. Those amounts will gradually rise to \$50,000 for singles and \$80,000 for couples over the next several years.

Here's how the Roth retirement account works. Each year, you may put as much as \$2,000 into a Roth IRA from earned income; a married couple can contribute

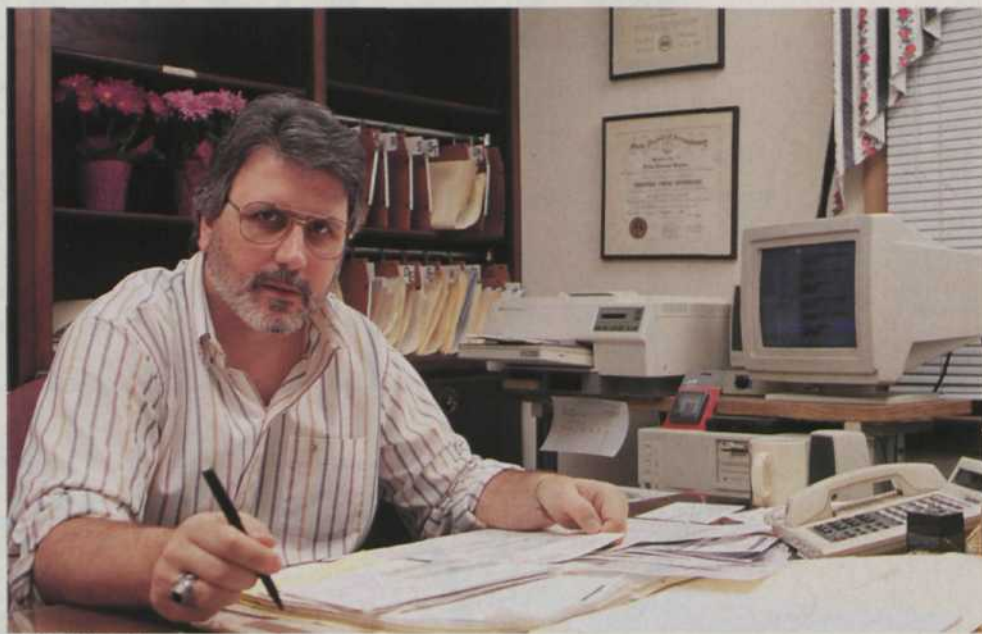


PHOTO: T. MICHAEL KEZA

If you have \$100,000 in a traditional IRA and are thinking of moving it to a new Roth IRA, says accountant Peter Walker, you may find you can't afford to make the switch because of the tax bill you would face.

Finance Committee and the law's architect, the Roth became law as part of the Tax Relief Act of 1997. It took effect on Jan. 1.

Roth accounts are available to individuals with an adjusted gross income up to \$95,000 and married couples filing jointly with an income of up to \$150,000. The ability to contribute is phased out for singles between \$95,000 and \$110,000 and for couples between \$150,000 and \$160,000.

\$4,000 regardless of whether both spouses are employed. Unlike a traditional IRA, a Roth IRA does not allow contributions to be deducted from your income.

All withdrawals from a Roth IRA are tax-free provided your account has been open for at least five years and you are at least 59½ when withdrawals begin.

Also, you can make withdrawals without penalty after five years—regardless of your age—to buy your first home or to pay for higher-education expenses, whether

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yours or your children's. In addition, there is no age at which it becomes mandatory to begin withdrawals from a Roth IRA. Traditional IRAs require you to begin taking money out by age 70.

Is It A Plan For You?

If you are young and have decades to save, a tax-free Roth IRA is too good an opportunity to pass up, say financial advisers. If you already have an IRA of any size, the decision becomes more complex because of the tax implications.

Rick Bruns, a free-lance writer in Cleveland, knows what his numbers look like now, and he's dead-set against a Roth. "I've got a SEP (simplified employee pension) IRA that's better than a Roth," he says. Because a SEP allows self-employed people to contribute up to 13 percent of their annual gross income, Bruns, 43, has already accumulated between two and three times his annual income in his SEP and

taken the corresponding tax deductions.

"I'll never convert to a Roth," he says. "For me, it just doesn't compete with a SEP."

Bruns has a second reason for not converting to a Roth: "I might be dead before I retire. This way I get my deductions now."

Another person who has decided against a Roth IRA is Janet Pepin, a management trainer and president of HP Inc. in Takoma Park, Md. "Congress may think the Roth is a good idea, but for someone like me, I can't see the benefits," she says. Like Bruns, she has set up a SEP IRA. "If you already have a lot of personal tax deductions to lower your income, perhaps it's great," says Pepin. "But I don't, so I need all of my SEP IRA deductions." Besides, she asks, "How does anyone know what the tax scenario will be 20 or 30 years from now?"

Accountant Walker worries about the same thing. He believes it's possible that Congress will do away with the current income-tax system. "There's the movement to adopt a flat tax, and now a national sales tax is being discussed," says Walker. "What happens to people who voluntarily pay \$30,000 or more in income taxes so they can switch to a Roth, and next year we go to a national sales tax? They'll be shooting themselves in the foot."

The Tax Factors

Keep in mind the special tax consequences of making a switch—the requirement to report proceeds from the traditional IRA as extra income on your tax returns. Even though conversions in 1998 can be reported over four years rather than solely in the year of the conversion, you might be pushed into a higher tax bracket and beyond the income limit for receiving some valuable tax credits, deductions, and exemptions.

If that's the case, says syndicated financial writer Humberto Cruz, "why not convert just enough of your present IRA each year that it doesn't push you into a higher tax bracket? That way, you convert toward the end of each year when you're fairly certain what your income for the year will be."

Cruz, a columnist based in Fort Lauderdale, Fla., who writes for Tribune Media Services, is a Roth fan because he likes the idea of not having to start fund withdrawals by age 70. "The longer you stretch out your withdrawals," he explains, "the more you can come out ahead."

Steve Norwitz, vice president of T. Rowe Price Associates, a Baltimore-based financial-services company, says most investors who convert to Roth IRAs will come out ahead in the long run—assuming they don't use funds in their IRAs to pay their tax bills. Norwitz has run the numbers himself for sample investors who convert regular IRAs to Roth IRAs at ages 45, 57, and 65. In each example, Roth IRAs would yield substantially higher returns in the long run.

"Anyone who takes the long-term view and plans to take their money out over 15 to 20 years will get more income from a Roth," says Norwitz. "Since few of us know what tax bracket we'll be in anyway when

we retire, it really makes sense to consider converting to a Roth."

The Roth still wins even when Norwitz makes a generous assumption: that holders of regular IRAs deposit into a savings account the money they would have paid in taxes to convert to a Roth. Then Norwitz adds that money, plus interest, to the IRA funds available for retirement distributions.

A Stumbling Block

Despite the Roth IRA's long-term advantage, if the immediate tax bill is a stumbling block, broker David Carlson has a simple suggestion: "Keep your regular IRA. Don't touch it. Just start a new Roth."

Like many financial professionals, however, he says it could be wise to move money into a Roth if you haven't amassed significant savings. Carlson, with Commonwealth Equity Services in Arlington, Va., also thinks older taxpayers with small IRAs should consider converting "if you're healthy and working, and [if you] expect to keep working for several more years."

Setting up a Roth IRA is quite simple; various types of financial-service providers can help. What's more difficult, of course, is deciding whether to convert a traditional IRA to a Roth. Such a decision involves a host of questions for everyone with an IRA account. Talk to a financial professional before deciding whether to switch. And for further information, check out the World Wide Web sites listed in the box on this page.

Susan Hodges is a free-lance writer in Takoma Park, Md.

Helpful Web Sites

Need more information to help you decide whether a Roth individual retirement account is for you? A number of sites on the World Wide Web can help you. They include the sites below, which offer features such as articles, answers to frequently asked questions, and calculators to determine your savings at retirement, with and without a Roth.

www.fidelity.com

The Fidelity Investments site contains a Roth IRA conversion calculator and articles such as "Who Should Open a Roth IRA?"

www.northwesternmutual.com

The Web site of Northwestern Mutual Life Insurance Co. contains a Roth IRA calculator and a "longevity game" that uses your input to determine your average life expectancy.

www.strong-funds.com

This site, hosted by Strong Capital Management, Inc., offers a Roth IRA analyzer and a conversion calculator to help you see the future when you choose a Roth IRA, a deductible IRA, or a non-deductible IRA.

www.vanguard.com

Posted by The Vanguard Group, this site features a variety of retirement-savings resources, including a Roth IRA calculator.

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TAXES

Clinton Targets Three Estate-Planning Techniques

By Gloria Gibbs Marullo

President Clinton's 1999 budget proposal calls for eliminating or restricting three popular techniques used to reduce estate taxes or to provide funds to pay them.

The president's budget targets family limited partnerships, the Crummey provision in funding life-insurance trusts, and personal-residence trusts.

Republican leaders in Congress oppose the changes Clinton has proposed. And

percent of the value of the stock for a small manufacturing company.

The rationale for the discounts is that the stock of a family business, even a very profitable one, does not have the value of the stock of publicly traded companies. Potential investors are hesitant to buy into a company where the family will maintain a controlling interest. Unlike shares of a major corporation that may be traded in the tens of thousands on any business day, it can take months or even

in Houston: "The parents are general partners who each retain a small partnership interest such as 3 percent. The remaining 94 percent is reserved for limited partnership interests that the parents give to the children over a number of years."

Even if the partnership holds nothing but publicly traded stocks, the limited partnership interests given to children each year can be discounted for minority interest and lack of marketability, says Evelyn Capassakis, a director of trusts and estates with Coopers & Lybrand in New York City.

"The discounts make sense," says Capassakis, "because instead of giving the stock directly to your children, you are giving them interests in a limited partnership which has the same concerns with minority interests and lack of marketability as a small manufacturing company."

According to the Clinton administration, however, the "disappearing value is illusory." Clinton proposes to eliminate valuation discounts for all but active businesses.

Without valuation discounts, the major tax incentive for creating family limited partnerships for "nonactive" businesses would no longer exist.

If the proposal passes, says Capassakis, then "there goes another estate-planning tool."

Repeal The Crummey Provision

While restricting the use of the family limited partnership would affect mainly higher-income taxpayers, Clinton's call for repeal of the Crummey provision—which permits the use of the annual gift-tax exclusion to fund a trust—would have "a much more significant impact on the average person," says Capassakis.

The provision takes its name from a technique adopted by Clifford Crummey and his wife—and upheld by a federal court in 1968—for funding a trust for children with gifts to each child equal to the annual gift exclusion.

For the gift exclusion to apply, the recipient has to be able to use it immediately—has to have a "present interest" in it. A gift of a "future interest," such as trust money that the beneficiary doesn't get for some time, is subject to gift tax.

Crummey's attorneys got around the "present interest" requirement with a



the insurance industry, which would be hard hit by the changes, has mounted a vigorous defense of the endangered estate-planning techniques. Nonetheless, the president's proposals remain very much alive.

Here are the changes Clinton seeks, with descriptions of the techniques and what you need to keep in mind should the proposals become law:

Restrict Family Limited Partnerships

Clinton wants to reduce sharply the scope of family limited partnerships, which many small-business owners set up to pass business interests, stocks, bonds, and other investments to children while minimizing gift and estate taxes.

Under current law, parents may give a child—or anyone else—\$10,000 a year tax-free. Savvy small-business owners can actually give more than \$10,000 of their companies' stock each year to their children thanks to discounts for "minority interest" and "lack of marketability."

Together, these two discounts can be 40

longer to find a buyer for partial ownership in a family business.

While that's bad news for a family firm trying to find a buyer in an arm's-length transaction, it's not so bad for transferring family-business stock to the next generation. A combined 40 percent discount for minority interest and lack of marketability means a small-business owner can transfer \$16,667 of company stock to each child each year and not owe any estate or gift tax. (The 40 percent discount applied to \$16,667 reduces the value to the \$10,000 maximum.)

Bruno Graziano, a senior analyst with CCH Inc., a tax- and business-law publishing company in Riverwoods, Ill., says: "This concept worked so well for active corporations that tax planners started to use valuation discounts as a technique for parents to contribute marketable securities and other 'nonactive' investments to a family limited partnership."

The workings of a typical partnership are explained by S. Stacy Eastand, a partner with the law firm Baker & Botts LLP

Gloria Gibbs Marullo is a CPA and business writer in South Bend, Ind.



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strategy in which, when he put the money in the trust, he sent a letter to the beneficiaries stating they could withdraw the money within 30 days. The children didn't dare withdraw the money for fear the cash flow would stop.

The Internal Revenue Service contended that the gifts did not qualify for the exclusion because the children had no "present interest" in the trust funds—only "future interest." The Crummey case was lost the first round of their suit, *Crummey Vs. Commissioner of the IRS*, but won in the U.S. Court of Appeals for the 9th Circuit.

While the Crummey rule continues to be used with trusts for children, many middle-income taxpayers now use it to buy life insurance. People put the life-insurance policy in a trust so that the proceeds will not go into their estates when they die.

To pay the premiums, the insured individual gives money to his beneficiaries—usually his children. The goal is to use the \$10,000 annual gift exclusion to give the children the money to pay the premiums, thereby reducing the individual's taxable estate.

"What's really bothering the IRS is the number of beneficiaries needed to cover the life-insurance premiums,"

says Tom Warrick, a partner with the law firm Warrick & Boyl in Elkhart, Ind.

Say the insurance is \$2 million, the premiums are \$30,000, and the father with the policy only has two children—with a combined gift exclusion of \$20,000. "That's when you bring in a grandchild," says Warrick, "who really only has a remainder interest [in the insurance proceeds]. And sometimes they bring in all the grandchildren. So far, the courts have upheld the multiple gift exclusions, but the IRS is complaining."

Clinton's budget proposal does not grandfather the Crummey rule for trusts formed in the past. "So you can't run out and set up a trust before Congress acts and think you've beaten the clock," says Graziano of the CCH publishing firm.

Capassakis expresses another concern: "All life-insurance trusts should include a statement that allows the trustee to distribute all assets and principal to the grantor's spouse." If Congress revokes the

Crummey provision, taxpayers with trust documents lacking an "escape hatch" may have to leave the insurance in the trust and continue to pay the premiums without getting the advantage of the \$10,000-per-recipient gift exclusion, or they may have to let the policy lapse.

Restrict Personal-Residence Trusts

Under Clinton's budget proposal, there no longer would be a substantial tax advantage in placing your residence in a trust and naming your children as beneficiaries while retaining the right to live in the home for a specified period.

"A qualified personal-residence trust is an excellent technique for middle-income taxpayers," says Capassakis. Transferring the residence to a trust removes it from the owner's taxable estate. In addition, the value of the house is "frozen" at the time it is placed in the trust, so any appreciation would also be excluded from the estate.

The value of the residence is taxed as a gift to the beneficiaries. But the taxable gift value is reduced by the market value of the parent's use of the residence for the term of the trust—called a retained interest. Thus, the longer the specified period for

the parent to stay in the house, the greater the reduction against the gift tax owed on the house.

If the parent stays in the house longer than the term of the trust, he or she must pay rent to the children.

Clinton has proposed eliminating the tax break on the retained interest, which would cause all houses placed in new qualified personal-residence trusts to be valued at 100 percent. Without the tax break, individuals would have little tax incentive for establishing a personal-residence trust.

In Warrick's view, the proposed changes in family limited partnerships, the Crummey provision, and qualified personal-residence trusts illustrate a deeper and more pervasive problem. If tax rules were simpler and rates were lower, says Warrick, there would be no need—or opportunity—for such changes in tax provisions.

BORROWING

Credit Scoring For Business

When you apply for a consumer loan or credit card, the lender or credit-card company typically gives your application a numerical "score" based on information supplied by a credit bureau. If the score is above a certain level, you get the loan or credit. If the score is below, you don't.

This long-standing scoring process for consumer-credit applicants is now being used to judge the creditworthiness of small-business borrowers.

"There are pros and cons to scoring for small businesses," says Geri Detweiler, author of *The Ultimate Credit Handbook* (Plume, \$12.95). "On the one hand, scoring is more efficient and makes the loan process go faster, and there's no loan-officer bias because it all goes by the numbers. On the other hand, you may have unique circumstances that the scoring system may not take into account."

The absence of consideration of such circumstances is a reason that some small lenders don't use credit scoring. For example, it doesn't include the applicant's reputation and community standing.

But most big banks and major creditors advocate scoring systems, saying they provide quick, reliable risk predictions that open the way to serving many small firms that previously would have been bypassed.

Sergio Ora, national credit administrator for small business at Key Bank in Cleveland, says that with credit scoring, "we can now reach many more small businesses." To counter the impersonal nature of scoring, Ora says, "loan officers can look at scores and supplement them with additional information borrowers may have provided."

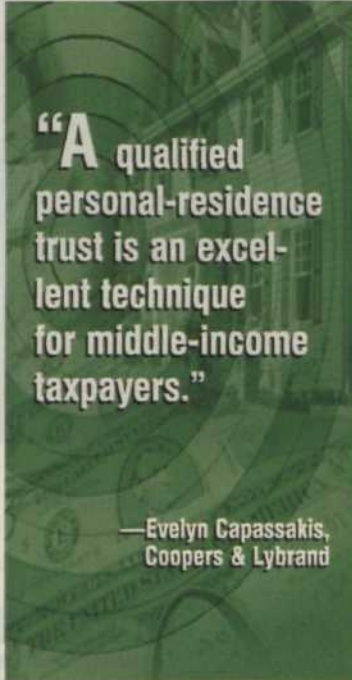
How does small-business scoring differ from consumer scoring? "We add additional criteria, such as what line of business you're in," says Scott Bronstein, director of product marketing with Experian Corp., a national credit bureau in Orange, Calif.

You can get a credit report on your business from Experian—formerly TRW—by calling 1-800-520-1221. The cost ranges from \$10 to \$20.

Two other national credit-information suppliers, Trans Union and Equifax, plan to offer small-business credit reports later this year.

—Peter Weaver

The author is a business writer in Bethesda, Md.



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—Evelyn Capassakis,
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INVESTING

Shopping The Stock Market's Value Rack

By Randy Myers

Have lofty prices left you nervous about putting money in the stock market but still yearning for the high-octane returns it can provide? Sure, you could invest in bonds, but they too are trading at rich levels right now, which means their yields are low (about 6 percent for 30-year Treasury bonds). How about money-market accounts and other cash equivalents? Their yields are lower still.

If you are nervous, you may want to consider this solution. It's for prudent investors willing to live with a modicum of risk. Stick with stocks, but invest principally in what Wall Street calls value stocks.

Value stocks are those that are undervalued relative to their intrinsic worth or to the rest of the stock market. Statistically, they tend to have price-to-earnings ratios and price-to-book-value ratios lower than those of companies in the same industry.

For example, if one computer maker's stock trades at a price equal to 25 times its annual per-share earnings while another trades at 15 times its annual earnings, the latter may be a bargain if all other factors are about equal.

Against The Grain

Surprising as it may seem, those kinds of dichotomies occur all the time, for reasons that may or may not make sense. Sometimes, a company falls on bad times, in which case its stock price deserves to drop. But just as often, Wall Street overreacts to what later proves to be temporary bad news, sending a stock's price lower than it deserves to be.

And sometimes a company's stock is cheap simply because investors have failed to recognize its bright prospects, perhaps because the company is small, new, or in an obscure industry.

"We sense that value is created when perception is worse than reality," says Matthew Fahey, who, with John Potter, is co-manager of the Marshall Mid-Cap Value Fund in Milwaukee. "Often, things aren't as bad as the herd perceives them to be, and that's when we go against the grain. As a value investor, you really have to work outside the crowd."

Value investing is especially appealing when the stock market is perched at

record levels, as it has been much of this year. If a bear market does materialize, stocks already in the dumps won't have nearly so far to fall as today's high fliers.

While seldom glamorous, value investing has a solid track record. Over the past 15 years, stock funds that pursue a value strategy have earned average annual returns of 14.5 percent, while funds pursu-

If you go bargain hunting on Wall Street, here are several tips for avoiding cheap stocks destined to get even cheaper:

Look for a modest debt load. If a company's current assets exceed its current liabilities by a factor of at least 2 and its debt is no more than half its equity, it should have the financial wherewithal to survive until the rest of Wall Street recognizes the value you see in it.

Evaluate the quality of the company's assets. If a company's current assets consist mostly of cash and accounts receivable, it's probably on firmer footing than a company whose assets consist largely of bulging inventories, especially if inventories are growing faster than revenues and the goods held in inventory, such as computers or out-of-style clothing, have a short shelf life.

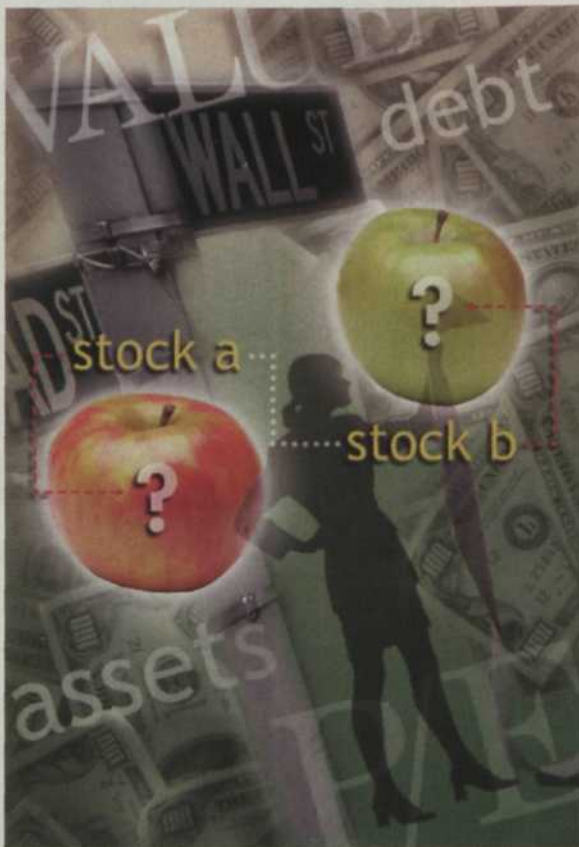
Compare apples with apples. If semiconductor stock A is trading at a price-to-earnings ratio of 19 and aerospace stock B is trading at a P/E of 21, don't automatically assume that the semiconductor stock is the better value. In fact, it's merely trading where semiconductor stocks traded on average during the past four years, according to Sam Stovall, director of industry information for Standard & Poor's Corp. of New York City.

Aerospace stocks, by contrast, traded at about 23.6 times earnings during that period, suggesting that Stock B could be the better value.

Be patient. With the stock market at extraordinarily high levels, you're not going to find a lot of true values there right now. If you force the issue and buy stocks that don't meet your value criteria, you're likely to overpay. Do your homework, wait until you find something that meets your guidelines, then buy it.

Investors who want to learn more about value investing are encouraged to read *The Intelligent Investor* by Benjamin Graham (HarperCollins, \$30). Forty-nine years after its first publication, it remains a classic in the field.

Randy Myers, formerly a writer and editor for Dow Jones & Co., Inc., is a financial writer in Dover, Pa.



ing a growth strategy have earned an average 13.5 percent, according to Morningstar Inc., a Chicago-based company that tracks mutual funds.

Assets And Management

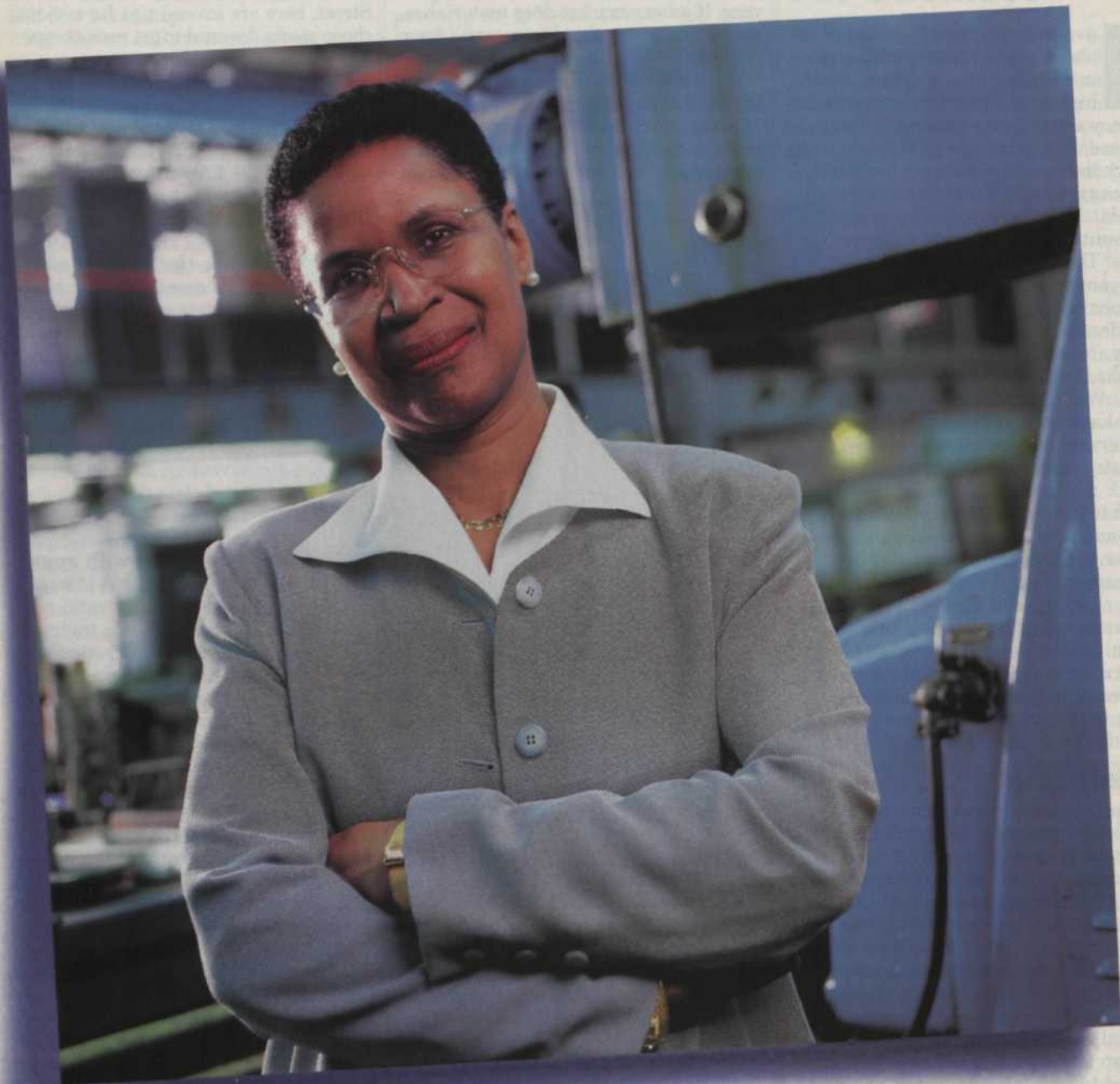
To figure out whether cheap stocks are true bargains, Fahey and Potter look for redeeming fundamentals. They like companies that have a solid base of assets to sustain them through any business downturn, companies that are restructuring to enter new and more rewarding lines of business, and companies that are simply turning around their existing businesses, perhaps through new management or cost-cutting activities.

They also want companies with the financial strength and marketing opportunities that will allow them to survive.

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FINANCE

Seeking Funding? Get Organized

By Sharon Nelton

When you're hunting for money to get a business off the ground or help it grow, don't overlook organizations. You may not even have to be a member of a particular organization to qualify for help.

Consider the case of Charles Elion and Gregory George. When they and their partners launched AF AM Knitting in Edgewater, N.J., three years ago, their first customer, New York City-based Philip Morris Cos. Inc., tipped them off to a funding program offered by the National Minority Supplier Development Council (NMSDC), also in New York City.

The result: a \$285,000 loan that enabled African-American-owned AF AM to fulfill a \$450,000 purchase order for 10,000 dozen pocket T-shirts for Philip Morris promotional programs.

"It was really Philip Morris-driven," says George, president and chief financial officer of AF AM, which produces not only T-shirts but also sweaters, golf shirts, and other knitted apparel.

Philip Morris is one of 3,500 corporations that belong to the NMSDC and its 42 regional affiliates. The NMSDC promotes increased procurement opportunities for minority-owned firms by bringing them together with member corporations, which often go out of their way to contract with the minority firms and help them develop.

Funds For Contract Costs

Eleven years ago, the NMSDC created a separate not-for-profit entity called the Business Consortium Fund (BCF) to address the difficulties experienced by minority-owned firms in obtaining capital through traditional lending sources.

The BCF's niche is "to assist a company that has a contract and now needs the money to be able to perform on that contract," says its president, Marcial E. Robiou. Through the BCF, a business owner can obtain financing for raw materials, employees, and other contract-related expenses.

To qualify for the program, the company

This story is part of a continuing series on ways for small companies to locate the financing they need to run their businesses.



PHOTO: GUY AROBOLIK—BLACK STAR

With a little help from an organization for minority-owned suppliers, apparel maker AF AM Knitting secured a major contract, according to Gregory George, president and CFO, left, and Charles Elion, chairman and CEO.

must be certified as a minority business by one of the NMSDC's regional affiliates and must have a purchase order in hand from a member corporation.

The BCF program is administered through banks with which the BCF has developed relationships. The BCF, which receives its funding from corporations and foundations, puts up 75 percent of the financing; the banks provide the rest. A company is limited to \$500,000 in loans outstanding at any time and can stay in the program up to four years.

"What we're doing is in the higher-than-normal-risk area," says Robiou, explaining

Financing programs offered through minority-development and other groups can be the ticket to starting or expanding a business.

why commercial banks don't want to offer such loans on their own. But the ultimate goal, he says, is to enable minority businesses to develop ongoing relationships with banks.

When Philip Morris decided to do business with AF AM Knitting, says George, it wrote a letter to New York National Bank in the Bronx, encouraging the bank to work with the minority firm, which needed a loan to purchase materials.

The New York/New Jersey Minority Purchasing Council, the NMSDC regional affiliate, helped the parties establish relationships with one another, and the bank eventually partnered with BCF in providing AF AM with funding.

AF AM, which has 175 employees, expects to increase its annual revenues this year to more than \$3.2 million from the \$2.3 million it recorded in fiscal 1997, which ended July 31. Because its loan-repayment record has been so good, AF AM no longer has to seek separate financing for each purchase order. Rather, the BCF and the bank have established a \$500,000 revolving loan for the company.

AF AM's customer list has grown to include clients such as the U.S. Army, Harrah's Casino Hotel in Atlantic City, N.J., and Federal Express. "It's always exciting to watch a new enterprise come into being, and it's fascinating to see how they're growing every year," says Gary DiDonna, senior purchasing agent at Philip Morris.

Additional Routes

Three years ago the BCF acquired Triad Capital Corp., a specialized small-business-investment company (SSBIC), to meet longer-term needs of minority companies. SSBICs are licensed by the U.S. Small Business Administration and are set up to provide funding to business owners who are socially or economically disadvantaged—generally, minority-owned firms.

Robiou says there are several ways a business owner can approach the BCF for funding. One is to contact a regional NMSDC affiliate. For information on their locations, call the NMSDC at (212) 944-



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FINANCE

2430. Another way is to contact the BCF directly at (212) 243-7360.

A third way is to be referred by a bank that participates in the program.

Other organizations can be helpful to entrepreneurs in need of funds, but it takes diligence to find them. Here are some places to start:

Local and specialized chambers of commerce, because of their interest in local and regional economic development, may know of or participate in programs that can help you.

For example, the National Black Chamber of Commerce, based in Washington, D.C., and Glendale Federal Bank, in Glendale, Calif., recently announced a joint business-development program that includes offering lending opportunities in African-American communities in California. Call 1-800-413-3387 or see the bank's World Wide Web site at www.glenalefederal.com.

The Service Corps of Retired Executives (SCORE) Association, sponsored by the SBA, provides free counseling to business owners on how to get financing. For the chapter nearest you, call the Washington headquarters at 1-800-634-0245 or

Special Programs For Women

Two organizations provide financial assistance to women entrepreneurs across the country through alliances with banks.

Women Incorporated, based in Los Angeles, has an arrangement with Bank of America that enables its 25,000 members to obtain unsecured lines of credit and loans ranging from \$2,500 to \$100,000. For information on financing or on Women Incorporated, call 1-800-930-3993 or (310) 277-1989.

The Women's Lending Program is a joint initiative of the National Association of Women Business Owners (NAWBO), headquartered in Silver Spring, Md., and San Francisco-based Wells Fargo Bank. You don't have to be a member of

NAWBO to apply. The program looks for women entrepreneurs who have been in business at least two years, who have good personal and business credit records, and who have a profitable company with an established bank account.

The NAWBO-Wells Fargo program offers various types of credit, including equipment loans secured with inventory. The most popular part of the program is BusinessLine, which offers unsecured lines of credit for \$5,000 or more.

To apply for a line of credit under the program, call 1-888-767-2444. For additional information, call your local NAWBO chapter or the national headquarters at (301) 608-2590.

visit SCORE's Web site at www.score.org.

The National Association of Development Companies based in Arlington, Va., is an organization of nearly 300 economic-development corporations that operate under the SBA's 504 Certified Development Company (CDC) Program. CDCs aim at creating or retaining jobs by providing

growing businesses with long-term financing for major fixed assets, such as land and buildings. Call the association at 1-800-972-2504 for the CDC nearest you.

The National Association of Small Business Investment Companies is made up of private firms licensed by the SBA to provide equity capital, long-term financing, and management assistance to small companies. Its directory of about 200 Small Business Investment Companies, *Venture Capital: Where To Find It*, is available for \$25 from the association; write to NASBIC Directory, P.O. Box 2039, Merrifield, Va. 22116 or call (202) 628-5055.

The National Association of Investment Companies is the nationwide organization of SSBICs. To obtain its directory of about 120 member companies, send a check or money order for \$30 to the association at 1111 14th St., N.W., Suite 700, Washington, D.C. 20005. For more information, call (202) 289-4336.

The National Minority Business Council, Inc., in New York City has a program that enables members to obtain loans of \$5,000 to \$25,000 for 30 to 180 days. For information, call (212) 573-2385.

No matter what organization you work with, do your homework. AF AM officials went to the bank armed with a business plan that spelled out marketing, operations, distribution, and financial strategy. It took AF AM 60 to 75 days to get financing for its first purchase order from Philip Morris, George says.

Says the BCF's Robiou: "The key is always being prepared before you go to the bank." Lack of preparation can mean delays. "And if you're not prepared, your chances of being denied are greater." **NB**

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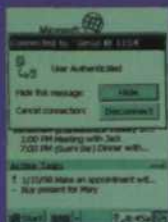
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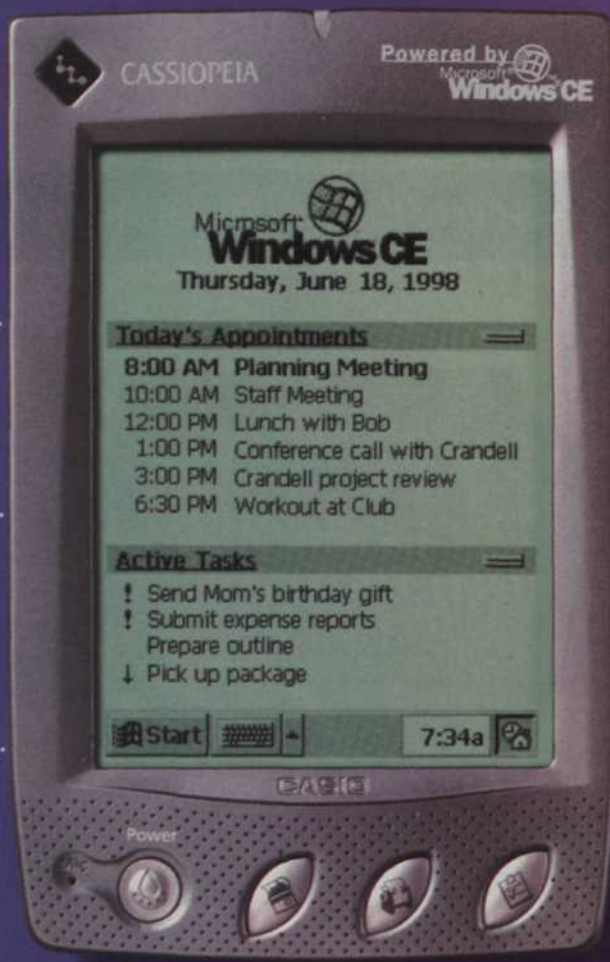
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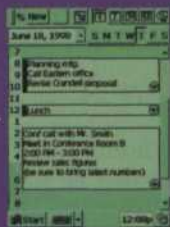


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INSURANCE SPECIAL REPORT

The Right Coverage For Company Cars

By Thomas Love

Having adequate commercial-automobile insurance is essential to the long-term survival of small businesses, according to experts in the field.

"Without the proper vehicle insurance, a business person can lose everything he or she has worked a lifetime to create—in a split second," says Dave Snyder, a specialist in commercial-automobile insurance with the American Insurance Association. The trade group, headquartered in Washington, D.C., represents insurance companies across the spectrum of the industry.

No matter how safe or uncontroversial a company's product or service may be, says Snyder, no business can avoid the danger inherent in operating motor vehicles. When a vehicle is being driven for company business, the company faces a huge exposure. "If a vehicle is used in connection with a business—whether it is owned by the company or not—it should be insured under a commercial-auto policy—not under a passenger-auto policy," Snyder says.

When buying a commercial-vehicle policy, it's essential to make certain that it complies with all state mandates for motor-vehicle coverage, according to Snyder. But he adds that state mandates are "where you should begin, not where you should end."

"Unfortunately," he says, "businesses are viewed as 'deep-pockets' defendants, so juries tend to assign liability unfairly to them. They assume businesses are carrying high coverages, so you'll usually see a pattern of businesses being successfully sued and the judgments against them being higher than against individuals."

Cars And Drivers

Beyond the basics of buying vehicle insurance, such as making sure the policy meets all government requirements and provides ample coverage, insurance experts point to two areas that business owners often overlook: the company's drivers and the vehicles.

Troy Sibelius, an agent with Keller-

Lowrey Insurance in Denver, says failure to examine carefully the driving records of all potential operators of company vehicles can ultimately spell bankruptcy for a business.

Recently, Sibelius says, his agency was working to compile a full package of com-

Business owners must make sure the company is covered for all the risks their employees might encounter on the road.

emplary and punitive costs, and all sorts of stuff."

Madelyn Flannagan, manager of consumer-information services for the Independent Insurance Agents of America, an industry group based in Alexandria, Va., agrees that it's ab-



PHOTO: CHARLES GUSTON—UNIPHOTO

The risk of damage from natural disasters such as tornadoes and hurricanes is a reason why some insurers decline to give discounts for business fleets that have many vehicles kept at one location.

mercial insurance for a concrete contractor. The contractor has about 10 vehicles and a number of drivers, some of whom have been with the firm for a long time.

"Part of the information we gathered during the initial application process was the motor-vehicle records for the guys driving the trucks," he explains. "We found that one of them had an alias; when we got the motor-vehicle record for him, we discovered that his driver's license had been suspended until the year 2004!"

"If he were in an accident with one of the company vehicles, obviously the insurance company would have suspended coverage. If somebody were injured pretty seriously, any good attorney would sue the pants off this contractor, and he'd be liable for triple damages, ex-

solutely necessary to check out employees' driving records. Failure to do this, she points out, will subject the company to "tremendous liability."

When The Vehicle Isn't Yours

Another item that business owners often overlook is making sure that all vehicles driven for the company are insured—whether they are company-owned or not. Unlike most individual insurance policies, which cover drivers who have accidents in cars owned by other people, a business policy customarily provides no such protection.

"One of the biggest faults a lot of companies make is that they buy business-auto policies that don't include hired and nonowned vehicles," says Phil Ranalli, an

agent with the First State Insurance Agency in Wilmington, Del.

"Let's say somebody in my office goes to pick up lunch for everyone in her own vehicle and is involved in an accident. If she had minimum insurance on her car, any person injured in the accident could come back and sue me as her employer because she was on work-related duty," he continues. "If I didn't have that hired and nonowned endorsement on my business-auto policy, I could be held liable. But with the endorsement, my insurance carrier would assume that liability."

Betsy Carlson, an agent with Wright Mains SGP Insurance Agents and Brokers in Albuquerque, N.M., recalls an incident in which a client—the owner of a radio station—found he was protected from major liability because he had non-owned-vehicle coverage.

A salesman for the company who did much of his work away from the station was driving his children to soccer practice when he ran a red light and slammed into another car, Carlson recalls. When a police officer arrived, the salesman was sitting amid a pile of soccer balls, holding an audiotape of a commercial he had been working on for the station.

"He was not working on the commercial at that moment," Carlson says, "but with an outside salesman's flexible hours, who could prove he was not on business when the accident took place? If he said, 'I was working,' who knows whether after the soccer practice he was going to run into the office and dash that tape into the programmer?"

Moreover, the salesman's personal auto insurance had lapsed, and he used an "I'm working" claim to trigger the liability coverage of his employer, Carlson says.

The costs of the driver's defense and a substantial payment to others involved in the accident came out of the employer's nonowned-vehicle insurance coverage. If there had been no endorsement providing such coverage, the employer could have been held responsible.

Rented Vehicles

Sibelius, the Denver agent, points out that complete nonowned coverage—including liability and physical damage to the nonowned vehicle—is necessary to cover not only employees' vehicles but also vehi-

cles rented for a short term by the company.

One of Sibelius' clients, he says, owns a tree-trimming firm that had liability coverage, but no damage coverage, for nonowned vehicles. The company rented a truck as a replacement for an owned vehicle, which was in the shop for a few days. One of the company's employees took the truck to lunch at a drive-through fast-food outlet. The overhang of the drive-through area proved to be lower than the top of the

because any driver injured would be covered by workers' comp rather than the insurance. But let's say you have a business, take a company-owned car home with you, and one of your kids drives it and has an accident," Ranalli continues.

Because the family member would not be covered by workers' comp, "it really could run into a hairy situation," Ranalli says. Although the insurance company probably would cover any injury, it could come back and collect an additional premium for several preceding years and then cancel the policy.

A similar problem can arise for business people who use independent contractors in lieu of employees, says Ranalli. Contractors driving a company vehicle would not be covered by workers' compensation, so they would have to be included under an insurance policy.

But while workers' comp covers an injured employee indefinitely, minimal vehicle insur-

ance can run out fairly fast, he notes. In Delaware, for example, the minimum is \$15,000 per person or \$30,000 per accident. "A lot of people carry the minimum limits," Ranalli explains, "so if someone gets banged up real bad in an accident, the insurance company comes in, writes a check for \$15,000, and says, 'Hey, we're out of here. Go sue the employer for the rest.'"

Competitive Rates For Small Firms

This is a good time to be shopping for commercial vehicle insurance, says Snyder of the American Insurance Association. "The insurance market is very competitive now," he says. "Thus, small-business people ought to go out and shop for coverage."

He points out that there is a great deal less market concentration in the business-vehicle insurance field than in the private-passenger insurance field. "Half a dozen companies have 50 percent of the business in the private area," he explains. "That is not true in the commercial auto field, which is much more competitive and much less regulated by the states."

Allan McVey, vice president of Patterson, Bell & Crane, an insurance agency in Charleston, W.Va., agrees that this is a good time for small firms to be



PHOTO: ©MARTY HEITNER—UNPHOTO

Keeping vehicles as good as new with professional maintenance can help ensure they are safe and thus can minimize insurance rates.

rented truck, which caused major damage to the vehicle.

"The company had to pay for the damage out of pocket because it didn't have physical-damage coverage," Sibelius says.

"There are a lot of little things like this that people don't think of, and a lot of agencies don't talk about them," he adds. "For the little bit additional it costs, why not have it? It's something that definitely could be to your advantage in the long run."

Covering The Person At The Wheel

In addition to making sure that any vehicle driven by a company employee is insured, the owner of a company must make sure that any person driving a company-owned vehicle is covered, says Wilmington agent Ranalli.

Business auto insurance works in conjunction with workers' compensation. If there's an accident in which an employee is injured, workers' compensation provides coverage for the injured employee, Ranalli explains, and the automobile insurer covers damage to the vehicles.

"One of the questions on most commercial-insurance applications is whether all drivers are covered by workers' compensation. If you answer 'yes,' you pay a reduced insurance premium

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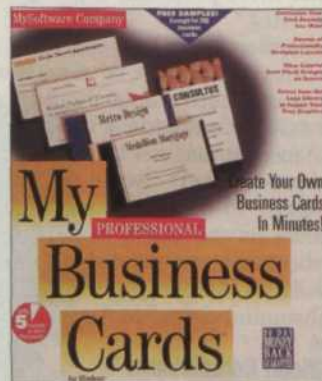
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in the commercial vehicle insurance market.

"Rates are going down because of the sheer capacity in the marketplace right now," he says. "The small business that is a bit on the larger side and paying a little more premium is going to get better rates."

Another factor that can affect commercial insurance rates, he says, is whether a company keeps a large number of vehicles in a single location. If a business does this, "an insurer may not be willing to give better rates—or even write the account, particularly in disaster-prone areas such as California or Florida—because if you have a disaster come through and wipe out a whole lot of trucks, you're talking about a substantial claim," McVey says.

Difficult Comparisons

Generalizing about commercial auto insurance rates is far more difficult than generalizing about personal vehicle rates, according to industry experts. "The commercial auto line is very diverse," Snyder says. "It ranges from mom-and-pop operations with a four-wheel, private-passenger-type vehicle to commercial operators with hundreds of long-haul units, and everything in between."

That diversity fosters a wide range of rates. For instance, is a vehicle hired out? Does it haul cargo for someone else? Does it operate interstate?

Commercial-vehicle policy rates are based far more on the individual holder's experience than are individual insurance rates, Snyder says.

If a business has five or more vehicles, it is usually considered a fleet operator, he explains, and there are all sorts of liability-sharing mechanisms between the insurer and the insured to adjust the ultimate premium based on the actual experience.

"A business can pay a premium upfront, based on prior experience. If the experience during the policy life is better, the business gets a refund. If the experience is worse, the business pays

"It's easy to fix vehicles, even though it's sometimes expensive. But sometimes you can't fix a human body. That's why [business owners] have to impress on all their employees that they need to be very careful" when operating vehicles.

—Insurance Agency Executive Allan McVey

the insurance company," he explains.

Because of this heavy reliance on individual company experience, generalizations about individual auto rates in the various states do not necessarily carry over to the commercial field, Snyder says.

"It would be hard to say whether the two are necessarily parallel," he explains. "It would depend on the industry involved and the type of the company's operations. There would be some general benefit from overall accident rates declining, but commercial insurers would tend to look at the experience within the particular industry,

which would reflect the rate more than generalized data."

Overall, the frequency of accidents is decreasing for trucks and private autos, says Snyder. "But there may be certain industries where the trend is in the opposite direction."

Insurance-agency executive McVey in Charleston says small businesses with commercial-vehicle exposure should take the following three steps to protect themselves:

- Hire good drivers.
- Train them well.
- Perform regular maintenance on vehicles, using an in-house mechanic or an outside professional.

"I tell my customers that they have to be careful when they're operating vehicles," McVey says. "It's easy to fix vehicles, even though it's sometimes expensive. But sometimes you can't fix a human body. That's why [business owners] have to impress on all their employees that they need to be very careful. Most businesses drive larger vehicles, which are more apt to cause serious injuries."

"I try to get my insureds to try to take on as much of the small claims as they possibly can through higher deductibles," he continues. "This gives the companies an incentive not to have claims. If they make sure their employees are involved [in making sure vehicles are operated safely] and know it is not acceptable to have claims" because the companies pay part of any claims, "that tends to keep claims down. And that, of course, is reflected in the premiums [companies] are charged."

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Putting Things Into Focus

By Michael Barrier

Wilfred "Bill" Stevens worked many years for big companies before he started the Plant & Patio Center of Jackson, Miss., in 1984. His first dozen years at the helm of his company did not always go smoothly. By late 1991 his retail garden center was facing severe cash-flow problems and a recalcitrant bank.

He pulled through, however. He found a sympathetic bank that tossed him a lifeline in the form of a \$30,000 line of credit, "but I never used it," he says. "That's where your employees come in. Simply come back to your employees and tell them what you have to do. They grabbed hold of things, and we came through that with flying colors. Never borrowed a penny."

Stevens, who started his business when he was 49, says that "small business has to be the most gratifying thing in the world one could ever do, but also one of the most difficult. I hear this from everybody. There's probably one word that stands out more than any other, and that's tenacity. It overcomes everything."

His tenacity has been rewarded not only with business success but also with designation as a Blue Chip Enterprise in 1997. The Blue Chip Enterprise Initiative recognizes small businesses that have successfully met significant challenges of many kinds, ranging from natural disasters to marketing opportunities.

Stevens' company—which now has three locations—is typical of the close to 1,500 small businesses that have been named Blue Chip Enterprises since the program got under way in 1990. The Blue Chip competition is sponsored annually by



PHOTO: TOM ROSTER

Sharing a Blue Chip award with employees is "kind of a keen deal," says 1997 designee Bill Stevens, owner of the Plant & Patio Center in Jackson, Miss.

Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; and *Nation's Business*.

"To me," Stevens says, "the whole award concept is just a marvelous idea. When you get it, you know what you've been through, and it allows you to go back and reflect on where you were, and where you are today."

A business owner who wins a Blue Chip award, he says, "has to make sure he shares that with everybody. To go back and share that with the folks in your company—that's kind of a keen deal. Don't let your ego get in the way; that's the main thing."

The Blue Chip award "is really a company-employee award," says Stevens, who adds that he has read many of the ac-

The winners of the Blue Chip Enterprise award know how difficult—and how gratifying—running a small business can be.

counts of the honorees in *Insights and Inspiration: How Businesses Succeed*, the annual volume devoted to case histories of the state and national Blue Chip Enterprises.

"I think that any time you come through difficulties, as most of these companies have," he says, "you can't get through them without a good group of employees."

Stevens wanted to share the Plant & Patio Center's honor not just with his employees but with others who had contributed to the company's success. He received his trophy last fall at an awards luncheon with other Blue Chip Enterprises from the Jackson area.

The event organizers "allowed me to invite anybody I wished," he says. "What I tried to do was have some of my resources attend"—not just employees but also vendors.

"You have to rely so much on your vendors when things get tough and the banks get a little skittish," Stevens says. "If you have good vendor relations, your vendors will pull you through. In my case, a major wholesaler that I deal with helped me out tremendously."

Most of the approximately 160 Blue Chip Enterprises chosen each year are regional designees and receive their awards at ceremonies like the one Stevens attended.

Four companies are named national designees annually and receive their trophies in a ceremony at the U.S. Chamber's headquarters in Washington, D.C.

The full stories of the four national designees for 1998 were told in the April issue of *Nation's Business*, in "Raking In

ENTERPRISE

The Blue Chips." Those companies are:

American Hardwood Co. This Gardena, Calif., firm was foundering when its board, out of desperation, put 26-year-old Sandy Gray, a Princeton-educated engineer and investment banker, in charge in 1993. The company, a manufacturer of slats for Venetian blinds, was suffering from years of mismanagement. Gray turned things around with astonishing speed, getting a handle on costs and seeking out new and much more profitable customers. He is now sole owner of a profitable company that had sales last year of \$22 million.



PHOTO: GREG SMITH

Being a national designee in 1997 "has changed our business and changed our lives," says Carol Conway, with employees of her Cape Coral, Fla., company, Computer Rescue Squad.

Candy Bouquet International, Inc. Franchisor Margaret McEntire's company, based in Little Rock, Ark., specializes in bouquets whose "blossoms" are not flowers but gourmet candies. She started by making the bouquets in her garage "kind of for fun," she says, then began selling them from a tiny retail store in a bank's vestibule.

She offered her first franchises in 1993 and now has more than 250 franchisees. The chain's sales totaled \$26 million in 1997.

"There are 10 basic patterns that we wire all over the world," McEntire says, so that a franchisee in, say, Indonesia can fill an order placed with a Candy Bouquet retailer in Little Rock.

McEntire's next move, she says, "is to buy a big floral-wholesale type of company and a candy company. When

you're a gift, floral, and candy shop all rolled into one, you can get more traffic."

Narrative Television Network. Jim Stovall, founder of the Tulsa, Okla., company, lost his sight to a rare disorder before he was 30. Unable to enjoy the movies and TV shows he had once watched, Stovall started a company that adds narration to the shows' soundtracks so that visually impaired people can follow the action as well as sighted people can.

Narrative Television Network now provides more than 20 hours a week of narrated movies and TV shows to cable-system operators.

More than half of the network's audience consists of "fully sighted people who simply enjoy the programs," Stovall says. "When we do our job well, the voice of the narrator doesn't bother you."

Three-C Body Shop Inc. Faced with insurance-company pressure to, in his view, cut corners in the repair of collision damage, Robert A. Juniper Jr. responded with a masterful marketing campaign. His radio commercials educate consumers on how Juniper thinks repairs should be done. "Our marketing has been designed so that we step in ahead of the insurance company and gain control of the repair," he says.

The advertising has paid off: Juniper estimates that Three-C now has almost a quarter of the market in the Columbus, Ohio, area, and he is shooting for more than 50 percent.

For both national and regional Blue Chip designees, the award generates a gratifying stream of congratulations for a job well done. Bill Stevens, for example, has been recognized by the local nursery association and local chambers of commerce, and, he says, "I've had different people come up to me and say, 'Hey, that's really neat.' We had a mayor's prayer breakfast, and he asked me to stand up and be recognized for that award."

The attention that national designees receive is correspondingly greater. "It was such an honor at the time," says Carol Conway, a 1997 national designee who owns Computer Rescue Squad in Cape Coral, Fla., "but I couldn't have imagined the impact it would have." She cites examples:

■ Computer Rescue Squad received a lot of local media attention after the award was made, Conway says, and the media have "continued to give us exposure on a regular basis. We attained an almost immediate 'expert' status within our community."

■ Winning the award gave "such a psychological boost" to employees, she says, and has "also been quite a recruitment tool. The demand for technical talent is intense, and being a national winner gives us a real competitive advantage."

■ The Blue Chip award has cascaded into other awards, including being named Cape Coral Small Business of the Year and being recognized by the University of Florida as one of the state's fastest-growing small businesses.

Being named a national Blue Chip Enterprise "has changed our business and changed our lives," Conway says. "It's also been pretty darn good to our bottom line."

How To Apply

The 1999 competition is under way. Any for-profit company that has been in business for at least three years, employs five to 400 people, and has overcome significant challenges is eligible to apply for designation as a Blue Chip Enterprise.

The deadline for applications for the 1999 program is Jan. 30, 1999, and the four national designees will receive their awards at the U.S. Chamber's annual meeting in June 1999.

For information on how to apply, see

the advertising section following this article.

You may also send an electronic-mail request for information to bluechip@nationsbusiness.org or check www.nationsbusiness.org/bluechip.html on the Internet.

The stories of all of each year's designees are collected in the annual book, *Insights and Inspiration: How Businesses Succeed*.

Copies of the book are provided free to each company profiled in the book.

All applicants for the 1999 competition will receive copies of the current edition of *Insights and Inspiration*.

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About The Blue Chip Program

The Blue Chip Enterprise Initiative, sponsored by MassMutual, the Blue Chip Company, the U.S. Chamber of Commerce, and *Nation's Business*, recognizes companies that have overcome adversities, seized opportunities and succeeded.

Since 1990, the Blue Chip program has honored more than 1,600 successful businesses. The program is designed to motivate small business owners who may be facing similar challenges and adversities.

By profiling the honorees' success stories, other businesses can learn by example. All honorees will be profiled in "*Insights and Inspiration: How Businesses Succeed*," a softcover book published by *Nation's Business*.

What Blue Chip Enterprise Initiative Honorees Receive!

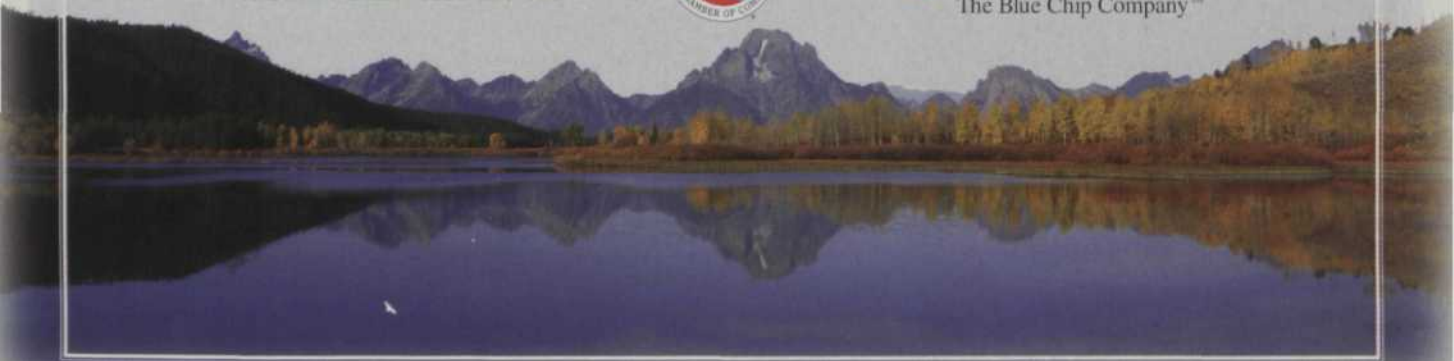
- Extensive publicity and coverage in *Nation's Business* magazine
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- A one-year membership in the U.S. Chamber of Commerce, including a one-year subscription to *Nation's Business* magazine
- National print and television promotion
- Recognition at regional awards luncheons
- Community recognition and networking opportunities

Four Blue Chip Enterprise Initiative national honorees will be chosen and will each receive an all-expense-paid trip for two to Washington, D.C., to be recognized at the U.S. Chamber of Commerce's June 1999 Annual Meeting.

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Requirements: The Blue Chip Enterprise Initiative is open to any U.S. or Puerto Rican for-profit company that has been in continuous operation for at least three years and employs from 5 to 400 people. All applications require the signature of at least one of the participating company's principals. Judging is done by an independent panel of judges. Information submitted becomes the sole property of MassMutual.

2. Return Completed Application

**Additional information will be sent to you regarding
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Here Are Comments From Recent Honorees

"Our company received a tremendous amount of media attention as a result of winning a national award. A year later I can tell you that winning the national Blue Chip Enterprise Initiative has changed our business and our lives. It's also been pretty darn good to our bottom line!"

Carol P. Conway, President, Computer Rescue Squad, Cape Coral, Florida

"It was an honor to be included in the fine company of our peers that won the prestigious "Blue Chip Award." I never realized the obstacles that other companies managed to endure. The "Blue Chip Award" was an opportunity for our company and employees to celebrate not just our survival but our triumph over the obstacles."

Robert O. Baron Jr., Director of Sales, Baron Services, Huntsville, Alabama

"It was an honor to be selected as an award winner. It validated our decision-making process in developing solutions to our problems and in our approach to overcoming obstacles. It was also very informative to share ideas with peers who also overcame significant obstacles."

S. Tien Wong, CEO, Unitel Corp., McLean, Virginia



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WORK FORCE

Help In Hiring Older Workers

By Peter Weaver

Employers willing to hire experienced older workers can tap the resources of two little-known matchmaking programs created by federal laws but implemented by local agencies.

The programs—carried out under the Older Americans Act and the Job Training Partnership Act—are designed to help older workers find steady employment. Both programs are administered through nonprofit organizations and local agencies on aging. They pay for job training and offer temporary wage subsidies to participating employers.

Few small-business owners are familiar with the programs, however, because the local agencies generally can't afford to promote them.

Nonetheless, employers who do know about such efforts in their communities are using the programs to find dependable, highly motivated workers 55 and older.

Janice Grossman, owner of JanCo, a small, midtown Manhattan garment manufacturer with five employees, heard about a training and placement program for seniors that is run by the city government under the Older Americans Act, and she looked into it. "We hired a highly qualified woman in her 60s whose husband had died, and she needed to work," Grossman says.

Says Karen Shaffer, director of the New York City Department of Aging's Senior Employment Program: "These older workers are particularly valuable for small businesses that need employees who can do more than one job or one task."

Training And Salary Support

To encourage firms to hire older workers, most agencies that sponsor the placement programs pay for training, typically in customer service or computer operations. The agencies also pay older employees' wages (including payroll taxes and workers' com-

pensation insurance) for a month or so while they are trained on the job.

JanCo's new hire, Lee Liput, operates the company's computer, handles the phones, keeps the books, pays the bills, and often has to deal with customers and suppliers. "I'm the chief cook and bottle washer," Liput says. JanCo's Grossman is

Reliable, experienced employees are as near as your community's agencies on aging.

that say they are looking for older workers because younger workers are not giving them the experience and dependability they need. "The Houston program offers older job applicants free training in basic computer skills and, if needed, some income.

"Young workers may learn things a little faster," says K.C. Brockman, director of the senior-training program in Joplin, Mo., "but they tend to make more mistakes, while the older workers do better in the long run."

Spreading The Word

The local agencies that administer older-worker programs recruit potential applicants through senior-center bulletin boards, fliers distributed through civic groups, and small newspaper advertisements.

The agencies screen job seekers and assess their skills so that the information can be made available to potential employers before applicants show up for interviews.

The older hires receive much-needed income and a new feeling of self-respect. "I'm somebody again," says a 71-year-old man recently hired for a clerical job at the Cincinnati airport, "and I found out I can still function

as a valued employee." A 68-year-old widow who landed a receptionist job at a social-services agency in Covington, Ky., says: "I hadn't worked for years. I needed money, and this job saved my life."

Where To Begin

It's not always easy to identify local government agencies or nonprofit organizations that administer senior-employment programs. Check your phone book's local-government listings for agencies with words such as "aging" or "senior" in their name.

If you have trouble finding the nearest area agency on aging, call the Eldercare Locator of the National Association of Area Agencies on Aging; 1-800-677-1116. **18**



PHOTO: ELISA QUINONES—BLACK STAR

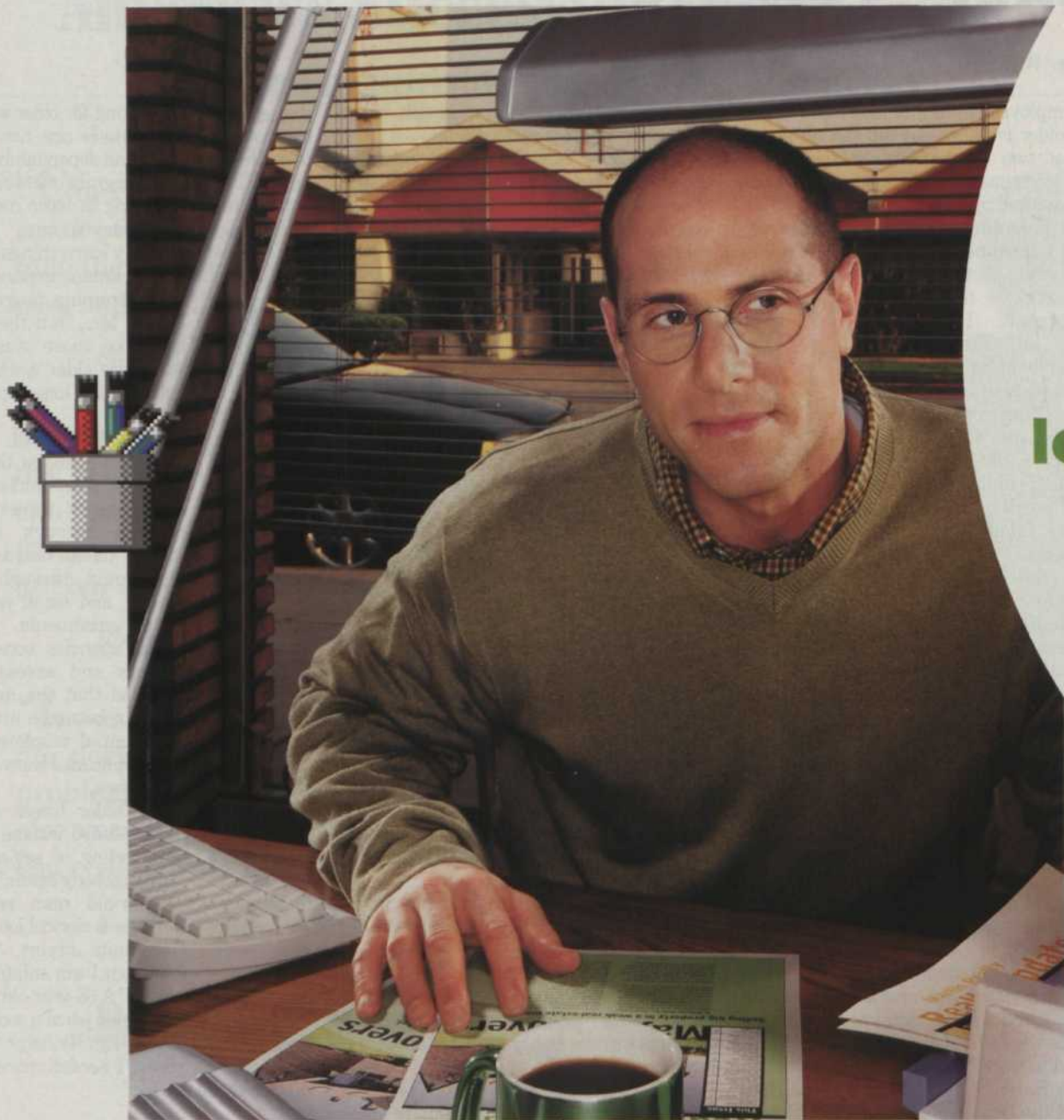
Garment manufacturer Janice Grossman, right, lauds the program for older job seekers that led to her hiring Lee Liput for an administrative post.

more than satisfied with the skills and work ethic of her "find," and she tells other business owners in her industry about the city's program.

Shaffer says the older-worker program "is a great marketing tool for us to show small-business employers how dependable and reliable older workers can be."

Faye Cannon, president and CEO of the Farmers & Mechanics National Bank in Frederick, Md., says: "We have a 70-year-old man working as one of our couriers. He's enthusiastic, very reliable, works well with people, and really knows the area."

Nina Walker, job developer for the Experienced Worker Program in Houston, operated under the Job Training Partnership Act, says, "We're hearing from companies



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MANAGING

A Phone Link To The Deaf

By Sandra H. Shichtman

In mountainous Vail, Colo., bicycle-shop owner Timothy Young frequently uses a phone-company service called the Relay to "talk" with his deaf customers. The Relay is an operator-assisted means for people who are deaf or hearing-impaired to communicate by phone with those who do not have hearing difficulties.

It has been around for several years and is available at no extra charge everywhere in the country, but few small-business owners who are not deaf themselves know of its existence.

Young, who owns Vail Bicycle Services, a bicycle and snowboard shop, is an exception. By sponsoring community events such as bicycle safety clinics and races, he spreads the word that his shop welcomes Relay calls from hearing-impaired local residents.

The result? Young estimates that he has six deaf customers who regularly call him on the phone. "In the summertime," which is prime biking season, "we get approximately two or three Relay calls a week," he says.

"Without the Relay, [hearing-impaired customers] would have to come into the store every single time, and that often can be quite a drive," Young adds. "What it does for us is it gives us good communication with our deaf customers. Without it, we would lose their business."

A Major Market

With millions of hearing-impaired people nationwide, there is a lot of business to go around. An estimated 22 million Americans are deaf or have severely impaired hearing. About 2.2 million more are speech-impaired.

Congress had these millions of Americans in mind eight years ago when it passed the Americans with Disabilities Act, which prohibits workplace discrimination against the disabled and lowers barriers to their use of public facilities, including telecommunications.

Sandra H. Shichtman is a freelance writer in New York City who writes frequently about people with disabilities.

The law mandates that regional and long-distance telephone companies provide telephone communications services to all deaf, hearing-impaired, and speech-impaired people in the United States.

Today, no matter where your business is located or which local and long-distance telephone providers you use, you and any person with a communication disability can use the Relay to talk to each other at

A little-known service called the Relay enables firms to communicate with hearing-impaired customers, a market of 22 million people.

Maryland, says Willis J. Mann, program manager for Telecommunications Access of Maryland, an office set up by the state Department of General Services to oversee the Relay's operations.

Eighty percent of the Relay calls over AT&T's long-distance phone lines are initiated by deaf customers, according to Marguerite Smith, marketing manager of AT&T's Accessible Communications Ser-

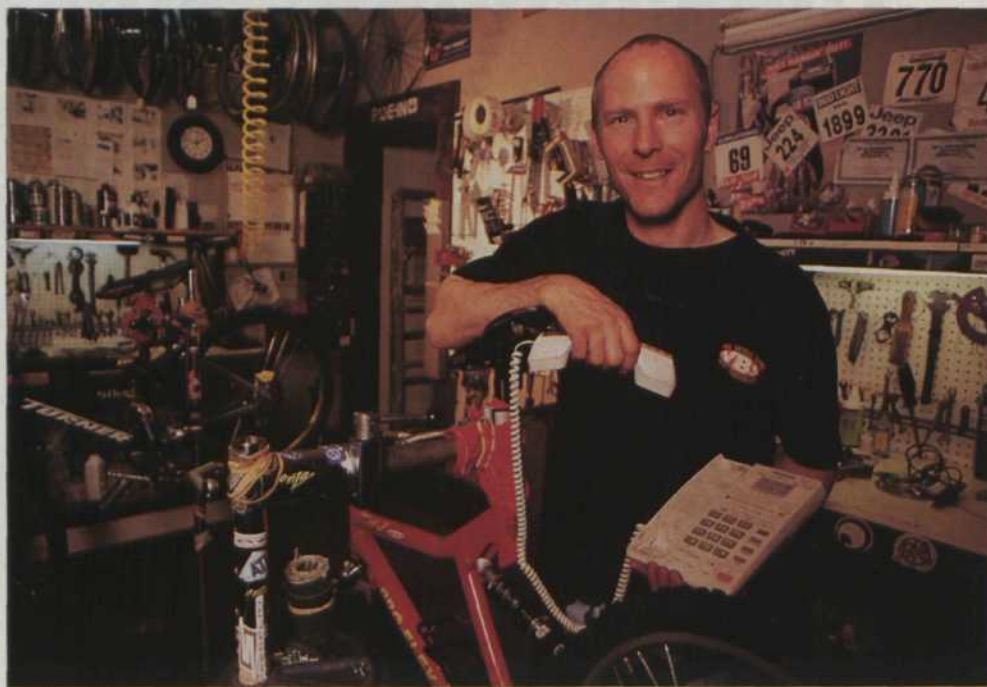


PHOTO: RICHARD SHOCK

By spreading the word that his bicycle shop welcomes calls that come in through a phone-company service called the Relay, Timothy Young has gained the business of a number of deaf customers.

no extra cost to either party.

Most people with a communication disability have either a Telecommunications Device for the Deaf (TDD) or a Teletypewriter (TTY) in their home or business. Using these typewriter-like machines, they communicate with one another over telephone lines; the Relay service enables them to communicate with people who can hear and speak. (For details on how the Relay system works, see "Using The Relay," Page 58.)

The hearing-impaired make extensive use of the Relay. For example, in December 1997, 196,075 Relay calls were made in

vices. The company expects the volume of Relay calls to grow 5 to 10 percent this year.

Getting Started

For small businesses, the relatively unknown Relay service can be a way to attract and serve hearing-impaired customers. Companies can make use of the service by taking two easy steps:

■ Add to your advertising the words "Call us on the Relay." Although deaf people in your area know the number of the local Relay, it is worthwhile to include the number alongside your phone and fax

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MANAGING

numbers. Doing so tells deaf people that you value their business. The Relay number can be found in the front of your telephone directory or obtained from the operator.

■ Be patient and learn to recognize Relay calls. "Many businesses hang up on Relay calls, erroneously believing them to be some sort of sales call" because they are operator-assisted, says Mann. "The message we emphasize to businesses is that if you hang up on Relay calls, you're hanging up on new business."

To learn more about the Relay service, contact your local telephone-service provider or one of the long-distance providers. Special representatives will provide information about the Relay.

For A Broader Reach

The Relay service is, of course, only one of the ways in which you can increase your business with the deaf or hearing-impaired. Among others:

Actively solicit their business.

Tell members of deaf associations and deaf business owners that you're interested in having them as customers. For information on deaf associations in your state, contact the National Association of the Deaf, based in Silver Spring, Md., by fax at (301) 587-1791.

Attend a meeting of a local deaf group to tell members about your products and services, and take literature to distribute.

In addition, you should have a sign-language interpreter accompany you to the meeting.

The Registry of Interpreters for the Deaf (RID) evaluates and certifies interpreters to ensure quality services. Through its affiliate chapters, RID can put you in touch with an employment agency that provides interpreters in your area.

The cost depends on the location and the job. Contact RID at 8630 Fenton St., Suite 324, Silver Spring, Md. 20910; (301) 608-0050.

Consider advertising in the TTY directory. Most people with a telephone-communication disability have a TTY in their home or office. You can find their numbers in the *National Directory of TTY Numbers*, which costs \$23.50 and lists residence and business numbers by state.

Businesses may place ads either within an individual state's listings or in the national yellow pages section in the back of the book.

The directory can be purchased from



PHOTO: GREGG LEFEBURE

The hearing-impaired—employing a device called a Teletypewriter; inset—make extensive use of the Relay phone-communications system, says Willis J. Mann, who manages a Maryland state office that oversees the Relay's operations.



Telecommunications for the Deaf, 8630 Fenton St., Suite 604, Silver Spring, Md. 20910-3803; (301) 589-3786.

Using The Relay

It is relatively easy for hearing people to carry on a conversation with a deaf or speech-impaired person via the Relay. It does require a little getting used to, however.

Calls are initiated by dialing the local Relay number, which can be found in the front of your telephone directory. A specially trained Relay operator then dials the other party.

When a deaf person calls you, the operator will ask whether you have ever used the Relay and, if you haven't, will briefly instruct you on how to talk on the Relay.

Speak slightly slower than usual. Remember that the operator is typing on a Teletypewriter machine (TTY) as you're speaking.

When you finish speaking, say "Go ahead." This lets both the operator and

Consider advertising in a publication aimed at the deaf. Here are three such publications: *DEAF LIFE*, fax (716) 442-6371; *Deaf USA*, fax (818) 760-3391; and *DeafNation*, fax (248) 738-0448. Contact these publications via fax, since most of their employees are deaf.

Invest in additional equipment.

You might want to consider purchasing your own TTY machine. (See "Using The Relay.") TTY devices cost \$200 to \$500 and allow you to communicate directly with deaf customers without going through the Relay operator.

In Bryan, Texas, Tell Butler, who owns The Kings Furniture Co., estimates that up to 2 percent of his customers are deaf or hearing-impaired. "I have a TTY machine in my office for the purpose of communicating with people that I know who are deaf," Butler says. "They've called me, and I've also called them on it." He finds it a valuable communications tool.

Mary Hamlin is the owner of Stith's Funeral Home in Danville, Ky., which has a large deaf population because the Kentucky School for the Deaf is there. She has TTY machines in her office and her home.

Not long ago, says Hamlin, "we had a funeral of a deaf lady. All of her pallbearers were deaf, and I was able to call them myself because I had the TTY. I spent about five hours on the phone with them, getting things set up. This way, they knew exactly what I wanted them to do. The funeral went beautifully because of that." **1B**

your deaf or speech-impaired customer know that you have finished what you want to say and that you are awaiting a reply.

While you're speaking, your deaf customer is reading your words on the display on his or her TTY. Deaf people who can speak may then respond to you—they have a feature on their TTY called "voice carryover"—or use the TTY to communicate with the Relay operator, who will read the message to you. Deaf people who can't speak rely on the TTY to communicate with the operator.

If you're considering a purchase of a TTY machine, you can get further information from two manufacturers: Ultratec, Inc., 450 Science Drive, Madison, Wis. 53711, 1-800-482-2424; and Ameriphone, 12082 Western Ave., Garden Grove, Calif. 92841, 1-800-874-3005. Both have customer-service departments that offer guidance and information on using TTYs.



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SMALL BUSINESS TECHNOLOGY

All The News That's Fit To Net

By Tim McCollum

Dane Atkinson, president of New York City-based SenseNet Inc., and the company's employees tune in to the Internet daily to get an edge on their competitors and better serve customers.

While Atkinson and his staff are writing custom software programs for their corporate clients, a free Internet broadcasting service called PointCast is delivering to their desktop computers useful business information such as happenings in the financial markets, developments in the software industry, and news about SenseNet's customers and their respective industries.

Atkinson says PointCast, provided by PointCast Inc. of Sunnyvale, Calif., helps his employees be especially productive because the information is "pushed" to them automatically. Before, workers had to search out information contained on the World Wide Web, often a time-consuming chore.

"We have people who are very industry-oriented and need to follow what's happening with their clients," says Atkinson. "Everyone has their own use for PointCast."

Companies such as PointCast and its cousins—personalized Web-search or news providers such as Excite Inc. in Redwood City, Calif., and NewsEdge Corp. in Burlington, Mass.—are changing the way business information is delivered over the Internet. They're bringing order and relevance to the boundless data available on the Web, repackaging information from newspapers, magazines, television, and wire services and delivering it to computer users based on their interests.

The services are helping companies that, like SenseNet, need constant and reliable information about fast-changing business conditions. Atkinson says his 50 employees don't have time to search the Internet dur-



PHOTO: TOM SOBOLIK—BLACK STAR

An Internet broadcasting service keeps software-program writers at Dane Atkinson's New York City firm informed on fast-changing business conditions.

ing the day. PointCast is configured to deliver information headlines based on each employee's needs.

Headlines describing the information appear as a computer screen saver. Clicking on the headline brings up a Web page containing the full story.

The PointCast desktop software that allows users to download the news feed is free. However, SenseNet has installed PointCast's Web server software for its computer network server to better control internal distribution of the data.

A number of sources are helping small firms gather up-to-the-minute, reliable business information over the Internet.

The PointCast Web server software also allows SenseNet to be a broadcaster. The firm's internal channel pushes business information to employees in New York and in satellite offices in Los Angeles and Washington, D.C. The channel also goes to clients to update them about products and training programs.

An Overwhelming Barrage?

A year ago, industry pundits were calling PointCast and other push technologies the future of the Internet. Microsoft Corp. in Redmond, Wash., and Netscape Communications Corp. in Mountain View, Calif., jumped into the game by adding push channels to their Web browsers and making content deals with information providers.

Now, push's future is less certain, says Larry Dietz, vice president of Zona Research Inc., a Redwood City, Calif., Internet market-research firm. Dietz says some firms forgo PointCast because it provides an ongoing barrage of news and advertisements that can distract users and overwhelm PCs and computer networks.

Although PointCast users can select specific channels to view, they can't personalize the service exactly to their needs. It's akin to choosing a niche channel on cable television—you get what the channel sends you.

Dietz says companies that need to keep constant tabs on business developments will find push channels useful because they don't have to go out and look for information. Companies whose information needs aren't so immediate, however, may not be helped by push technology.

Information On Demand

While push technology struggles to gain acceptance, new services have emerged that give people personalized information

SMALL BUSINESS TECHNOLOGY

when they want it. Search and directory Web sites such as AltaVista, Excite, and Yahoo! have evolved into gateways to news and information from leading sources. They also create personalized home pages for users—based on their personal interests—that link to relevant information, content, and advertising.

Like many business people, marketing consultant Julie Shaylor begins each day looking at the morning headlines. Unlike most of her peers, though, Shaylor gets her news by electronic mail through NewsEdge's NewsPage service.

NewsPage is a Web-based subscription service that allows people to obtain news and search for information based on their interests. Subscribers receive daily headlines by e-mail and go to the Web to get stories compiled from magazines, newspapers, and wire services.

Shaylor, who owns MindSearch in Tewksbury, Mass., says NewsEdge gives her more-relevant information than a daily newspaper. "I have a lot of other things that I need to do," Shaylor says. "I can't spend the time to go through the newspaper. My personal NewsPage doesn't have as much depth of information as a newspaper, but it has the information I need."

Shaylor says her business revolves

around information. She uses NewsPage to monitor her clients' industries and competitors, as well as industries that her clients are interested in entering.

Saving Time While Keeping Up

Being able to follow news closely has become a big advantage for Ben Farrell and his colleagues at public-relations firm Phase Two Strategies in San Francisco. The firm uses Lexis-Nexis Tracker, a service from Lexis-Nexis in Dayton, Ohio, to follow stories in news and trade magazines about the firm's software-company clients and their competitors.

Farrell says keeping up with the news used to be a time-consuming ritual of reading through stacks of magazines and newspapers. Now, he and other members of Phase Two's account teams set up search

criteria using keywords about their clients, the software industry, and the markets in which they sell their products. Tracker flags relevant stories and press releases and lists them on a Web page for employees to check.

In addition to the time savings, Farrell says, Tracker helps account representatives improve their understanding of their clients' business and competitive conditions. "It allows you to be instantly reactive," Farrell says. "And you can give instant counsel to your clients and do effective media work."

Fees For The Facts

Premium information providers such as Lexis-Nexis and the United Kingdom's Dialog Corp. have brought their vast databases to the Web, competing with Web-based upstarts such as NewsEdge.


One thing these services have in common is a fee for information. The old Internet adage "Information is meant to be free" is giving way to "You get what you pay for."

"There are times when you are going to have to pay for information because it will be the best available," says Zona Research's



**Fast
access to com-
petitive intelligence
can be a plus for small
firms using Internet-
based information
sources.**

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Dietz. "If you need the information bad enough, you'll pay for it."

Although PointCast and search and directory sites rely primarily on advertising for revenue, some information providers are charging subscription fees or fees for each item of information. Still, information doesn't have to be expensive.

Patent attorney David Resnick of Dike Bronstein Roberts and Cushman LLP, a law firm in Boston, subscribes to a service called Northern Light, which lets him obtain information from the Web and commercial information providers.

Northern Light is a search engine that lets users search Web pages and a "special collection" of articles from more than 2,900 journals, magazines, and news wires. Users can read the collection articles for \$1 to \$4 each or pay a monthly subscription charge that varies depending on usage.

Resnick says Northern Light helps separate valuable information from the deluge of data, enabling him to research technical information for patent applications, for example, and for less than it cost him to use Lexis-Nexis. Rather than pay



PHOTO: ELINDA SUE SCOTT

Lexis-Nexis Tracker has gotten public-relations specialist Ben Farrell out from under stacks of print publications.

service-connection charges plus search fees, Resnick pays Northern Light \$40 a month for access to up to 400 documents. "If I want to get background for a specific technology, I can search and get it from one of the scientific journals," he says. "It makes the Internet worthwhile."

Ultimately, fast access to competitive intelligence information may be the greatest advantage of Internet-based information sources for small-business people. Yet getting to that information and ensuring its reliability can still be a challenge.

Dietz recommends that entrepreneurs locate Web sources that fit their specific business interests rather than depend passively on push channels and search engines to lead them to the information they need. The Web sites of trade associations and industry groups can be good places to locate such resources, as are Internet discussion groups and mailing lists related to a company's business. Dietz says the important thing is to get the information you need without spending lots of time looking for it. ■

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SMALL BUSINESS TECHNOLOGY

Tapping The Right Sources

Finding news on the Internet can be a hit-or-miss prospect—and the misses can far outnumber the hits. But that ratio is becoming more balanced, and now small-business owners can choose among an array of information sources, including online news wires and publications, personalized search and news pages, "push" news services, electronic-mail alerts, mailing lists, and Internet discussion groups. Below are some good sources of business information. Other than the premium services, most are free.

News

CNN Interactive, www.cnn.com

Cable News Network's online site features text and video of breaking business, national, and world news.

MSNBC Interactive, www.msnbc.com

This Microsoft-NBC joint venture packages daily news from NBC and news services and allows users to search for information. Premium MSNBC Desktop Video service delivers live video feeds of business news.

New York Times CyberTimes, www.cybertimes.com

Online version of *The New York Times* combines daily news and stories produced exclusively for the World Wide Web.

Washingtonpost.com, www.washingtonpost.com

This site provides top stories from *The Washington Post*, breaking headlines, and links to related stories and references. Users can search up to two weeks of back issues.

Free Web Search

AltaVista, www.altavista.digital.com

Digital Equipment Corp.'s fast and thorough World Wide Web search engine lets users work their way through information categories to find specific Web sites.

Excite, www.excite.com

Excite lets users search the Web by keyword or categories called channels. Users can also create their own personal channel with links to sites that fit their interests.

Lycos, www.lycos.com

One of the original search engines, Lycos enables users to search the Web and conduct more-refined searches of companies, discussion groups, publications, and Reuters news stories.

Yahoo!, www.yahoo.com

This Web directory has evolved into an Internet gateway similar to those offered by online services. It points users to Web sites based on categories or pulls up classified listings, news wires, and stock quotes. There's a personalized-home-page feature called My Yahoo!

"Push" Services

PointCast, www.pointcast.com

PointCast delivers business and general news to desktop PCs through the use of free software downloaded from the Internet.


Microsoft Internet Explorer Channels, www.microsoft.com

Microsoft has built push channels into its Internet Explorer Web-browser software to provide regular news feeds to users while they are online.

Netscape Netcaster, www.netscape.com

Netcaster is push technology built into the Netscape Navigator browser; it delivers information from sources such as ABC News and CNN.

Premium Services

Dialog Web, www.dialogweb.com

Dialog Corp.'s Web service lets users browse through information directories in its large database at no charge. Users pay for searches and for documents viewed.

Lexis-Nexis, www.lexis-nexis.com

Entrepreneurs now can use the Web to tap the comprehensive Lexis-Nexis database of news, journals, and corpo-

rate and legal information. Lower-cost Lexis-Nexis Tracker service updates users about breaking stories in their areas of interest.

NewsPage, www.newspage.com

This personalized news service sorts through 20,000 stories from magazines, newspapers, press releases, and wire services to create a customized daily news page. The monthly rate is \$6.95.

Northern Light, www.northernlight.com

Northern Light combines a Web search engine with pay-per-view access to a collection of articles from newspapers, magazines, and journals. Small firms can subscribe to the service for \$4.95 to \$40 a month, depending on the number of articles they want to access.

Profound, www.profound.com

Dialog's moderate-priced alternative, Profound, lets users search for business, industry, and market research from a database of more than 1,000 news sources, magazines, corporate reports, and research services.

Free Resources

Discussion Groups

The Internet abounds with discussion groups that gather on individual Web sites or in one of the more than 15,000 message forums called newsgroups.

These are useful places for entrepreneurs to seek advice, share their experiences with peers, and gather information. A good place to start is DejaNews, www.dejanews.com, which has a directory of newsgroups and a searchable database of newsgroup postings.

E-mail Alerts

Many publications, trade associations, and vendors deliver free updates by e-mail. This is a way to stay current about your industry, market, and product developments without searching for information.

Mailing Lists

Mailing lists called listservs are similar to discussion groups in that they enable people to exchange messages within particular interest groups. The main differences are that people receive these postings by e-mail, the lists are generally open only to people who have a genuine interest in a subject, and they often are moderated by a list owner who determines what information can and can't be posted.

A listing of Internet mailing lists is available from the Liszt site, www.liszt.com.

Small Business Technology

A host of new devices can make it easier for small businesses to link their computers to the Internet.

By Tim McCollum

CONNECTION TOOLS

Making Network Access A Breeze

Several low-cost devices that have come on the market recently promise to make it as easy for small firms to plug their PCs and computer networks into the Internet as it is to install a telephone.

These Internet "appliances" are designed to provide simple solutions for entrepreneurs who don't understand highly technical matters such as IP addresses, packets, switches, and all the other subtleties of computer networking.

The manufacturers don't call the new devices routers, but that's essentially what they are—because, like true routers, they link computer networks and switch data traffic among them, allowing firms to connect their PCs to the Internet, host a Web site, share a single modem, or have business-network access from home or on the road. The difference is that the vendors have taken the hassle out of programming and setting up network connections.

Here is a sample of the new breed of network-access devices.

Cisco ISDN Internet Access Solution Kit, Cisco Systems Inc., 1-800-553-6387, www.cisco.com, \$2,340.

This kit enables multiple users on a network to share a single Internet connection by combining an ISDN router with an eight-port network hub. (ISDN stands for integrated services digital network, a digital phone connection that can carry separate voice and data transmissions simultaneously. It provides two channels, which can be combined to allow far faster data transmission than is possible with an analog modem or used separately so a user can be online and still take incoming calls.)

The 1528 Micro Hub uses Fast Ethernet technology to gain a tenfold speed boost for network data communications, and it supports up to eight PCs and printers or other peripherals.



Cisco ISDN Internet Access Solution Kit

Meanwhile, the 1604 router has an Ethernet network port and an ISDN-line port to connect users to the Internet at up to 128 kilobytes per second (Kbps). The package comes with configuration software with a graphical interface that lets companies set up their network and Internet access to fit their needs and easily monitor devices on the network.

e.go, Encanto Networks Inc., 1-888-362-2686, www.encanto.com, \$995.

Encanto's e.go Web station connects a computer network or stand-alone PC or Macintosh to the Internet with a built-in 33.6Kbps modem.

It can also be used as a Web server, with 20 templates for setting up Web pages quickly using a Web browser and disk space that holds up to 25,000 text Web pages. In addition, e.go supports internal and Internet electronic mail and includes a network print server, a security firewall, and tools for developing sites.

DIVA T/A ISDN Modem, Eicon Technology Corp., 1-800-803-4266, www.eicon.com, \$349.

ISDN modems can be a pain to configure, but Eicon's new DIVA external terminal adapter is a promising remedy. DIVA handles data at 128Kbps, works with analog as well as digital phones and fax machines, and supports common phone-company services such as caller ID, call waiting, and three-way calling.

It also has automatic switching technology that allows users to manage dynamically the use of their ISDN connection as necessary.

As a result, users can simultaneously make



Eicon DIVA T/A ISDN Modem

voice calls and download data on their twin ISDN "B channels" and send or receive faxes using a narrow 9.6Kbps channel.

InBusiness Internet Station, Intel Corp., 1-800-538-3373, www.intel.com/network, \$499.

Intel's Internet Station provides Internet access for small firms, allowing up to three users on a network to share a single phone line for Internet access or fax transmission.

Internet Station houses one external serial modem and up to two PC-card analog or ISDN modems.

Its configuration software helps users set up the device and manage employee use of Internet access. It disconnects phone connections automatically when the modems aren't in use.



Intel InBusiness Internet Station

OfficeConnect ISDN modem, 3Com Corp., 1-800-638-3266, www.3com.com, \$499.

OfficeConnect brings high-speed Internet access to small offices. Up to 10 PCs on a network can dial out simultaneously on a single ISDN line at up to 128Kbps.

The modem's software sets up OfficeConnect to link a company's network automatically to an Internet service provider in about 15 minutes, and 3Com will order a company's ISDN connection from the local phone company.

The OfficeConnect modem works with 3Com's OfficeConnect network hubs, which are sold separately.

Remote Access Server 5208, Compaq Computer Corp., 1-800-345-1518, www.compaq.com, \$5,939.

Compaq's entry-level remote-network-access server features an eight-port analog 56Kbps modem for outbound and inbound data calls. This small-business model is built around Compaq's ProSignia 200 server, a powerful 300-megahertz Pentium II model that runs Microsoft's Windows NT operating system and Small Business Server software. The combination allows



CONNECTION TOOLS



Compaq Remote Access Server 5208

the device to be used as both a network server and a remote-access server. Built-in software provides security for remote access and allows users to share the modem.

TEAM Internet 2.0, Apexx Technology Inc., 1-800-767-4858, www.apexxtech.com, \$1,695.

TEAM Internet 2.0 is a hardware-software bundle of Internet-access tools with a built-in 33.6Kbps modem that plugs into a company's computer network to allow users to share a single dial-up phone line or dedicated Internet connection.

Inside the box-shaped device are built-in Web and e-mail servers, an Internet firewall, and administration software. It also has software that allows remote users to connect to a company's local-area network over the Internet.

TR-602 ISDN router, Toshiba America Information Systems, 1-888-422-6677, www.toshiba.com, \$449.95.

This compact ISDN device extends a

small firm's network to the Internet. Measuring just 2.1 by 6 by 7.5 inches, the TR-602 is small, but it can connect up to four PCs on a network and double as a network hub.

It's also able to send and receive data at up to 128Kbps.

Setup and management of the device is done using a Web browser.

InterJet 140, Whistle Communications Corp., 1-888-494-4785, www.whistle.com, \$2,995.

Whistle's InterJet 140 combines easy-to-configure Internet-access and Web-server capabilities. With its built-in ISDN modem and Ethernet network card, the InterJet 140 can be used to connect a network of PCs or Macs to the Internet or a remote network at speeds up to 128Kbps.

The InterJet 140 can be used as an e-mail, file, and Web-server, with a 2-gigabyte



Whistle Communications InterJet 140

hard drive and firewall software for added security. The setup software configures InterJet 140 automatically to work with a company's Internet service provider during an initial dial-up connection and allows firms to download system-software upgrades as they become available.

WebRamp m3t, Ramp Networks Inc., 1-888-726-7638, www.rampnet.com, \$599.

WebRamp m3t supports both Web access for office PCs and remote-network access for mobile and home-based computer users.

The device connects up to three analog or ISDN modems for outbound calls and can support up to four office computers over a computer network.

An optional remote dial-in kit (\$239) supports inbound calls.

In addition, the WebRamp m3t can triple the speed at which a single user can download data from the Internet by spreading data over three modem connections.



Ramp Networks WebRamp m3t

NB



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LESSONS OF LEADERSHIP

High Expectations Foster Success

By Albert G. Holzinger

Managers may well be able to catch a sneak preview of their future work force by peering inside the 1950s-era buildings that house the Quam-Nichols Co.

On the floor of the inner-city Chicago factory and warehouse, some 140 African-American, Asian, Caucasian, and Hispanic men and women work diligently to manufacture and ship loudspeakers and installation hardware to the firm's 1,500 customers—contractors who install sound systems in commercial and industrial buildings. Some of the workers are former welfare recipients; many live within walking distance of the plant.

As the U.S. economy expands and the labor pool becomes more diverse through demographic changes, employers are finding that recruiting workers is among their toughest challenges. And it's unlikely to get any easier as the baby-boom generation starts retiring early in the next millennium.

William G. Little, 55, president and chief executive officer of Quam-Nichols, faced the challenge of attracting workers in his Midwestern community more than a decade ago. His response, now gaining popularity among the owners of small and midsize businesses everywhere, was to adopt an inclusive, open-minded hiring program and strengthen his company's ties to its neighborhood.

"We build world-class products, our prices are competitive, and we offer a high level of service," says Little with perceptible pride. "We do this in an inner-city plant that is majority minority and unionized. That is not generally thought of as a prescription for success." But Quam-Nichols has succeeded: Revenues of the closely held company have grown for 15 consecutive years.

"As we've grown, we've created opportunities," he says. "And as we've created op-

portunities, we've hired the best available applicants—not paying attention to the absolutes but to the relatives."

As the CEO of an inner-city company, Little frequently has found that the best applicants have spotty employment backgrounds, which in some instances means they have spent time on public assistance. Yet in the workplace environment created by Quam-Nichols management, those employees generally succeed on the job.

As the U.S. Chamber's chairman, business owner William G. Little is demonstrating that economic progress depends on work-force quality.

self-esteem; they have to earn it. ... Have we had disappointments? Of course we have. But you would be surprised how many people live up to our expectations. In truth, they often surprise themselves."

An Agenda For Business

It should come as no surprise that in his role as 1998 chairman of the U.S. Chamber of Commerce—the world's largest business federation—Little says he will zealously en-



PHOTO: T. MICHAEL KEZA

Listening carefully to the ideas of employees such as Van Tieu and Amos Sims is essential to improving the manufacturing process, says William G. Little, center, president and CEO of Quam-Nichols Co.

High expectations form the bedrock on which the Quam-Nichols environment is built, Little says. These expectations, conveyed to new hires by a strong nucleus of employees with 25 or more years of experience at Quam-Nichols, "have to do with attendance and being on time. They have to do with productivity and quality. And we're very, very serious about them," he says.

"There is a natural tendency, when trying to help people, to compromise standards and expectations. I think that is a mistake," he adds. "You cannot give people

courage other employers to consider combating their worker shortages, in part by helping to make a success of the historic welfare reforms enacted Aug. 22, 1996.

Other key goals on Little's agenda as chairman—a 16-month term that ends at the Chamber's next annual meeting, in June 1999—include advancing legislation to reform America's litigation system, curbing extremists in the environmental movement, and promoting international trade.

"These agenda items are not something the Chamber in Washington created," he

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LESSONS OF LEADERSHIP

notes. "They are issues that resonate in the business community around the country."

The welfare-reform statute, which was strongly backed by the Chamber, ended 60 years of federal control of most welfare programs, turning them over to the states and funding them through block grants. Among other provisions, the law requires most able-bodied adults to find work within two years after they begin receiving benefits, and it limits lifetime benefits to five years.

So for the next seven years, Little worked in South Bend, Ind., as a sales executive for Chicago-based manufacturing conglomerate Amstead Industries. He joined Quam-Nichols as distribution sales manager in late 1970, a time when the company had begun switching its marketing targets.

The firm was founded in 1930 as a manufacturer of radio speakers. Forty years later, two-thirds of its production was still finding its way into home-entertainment products, including radios, record players, and televisions.

Little was instrumental in accelerating the firm's sales efforts in the burgeoning commercial and industrial loud-speaker market; today, no Quam-Nichols products are used in home-entertainment devices of any kind. However, the firm's speakers can be found in the ceilings of countless factories, office buildings, stores, schools, hospitals, and other public buildings that have background music or public-address systems.

"There are four factors that cause a commercial sound contractor to consider a product like ours," Little notes. First is performance, second is price competitiveness,

and third is ease of installation, he says.

"We've got some very good competitors who do a good job on those three issues," Little says. "Where we have successfully differentiated what we do is service: We commit to a contractor that the order he places today is going to be shipped within 24 hours, and in our industry that service level is relatively unique."

This ambitious commitment can be fulfilled with certainty by amassing a warehouse full of inventory, but that isn't financially feasible in such a competitive industry, Little says. However, it can be met cost-effectively by assembling a work force that's collectively motivated to find ways to get things done, he says.

"One of the things we talk about when we meet as a company is that everyone has an obligation to set an example," Little explains. "And that example is that you can do world-class manufacturing of a relatively technical product in an inner-city neighborhood. Our people are imbued with that. They recognize that we are setting a rather unusual example, and that's one of the important motivating factors that causes us to constantly improve what we're doing." **18**



At Chicago's Charles S. Brownell Elementary School, near the Quam-Nichols plant, William G. Little says he hopes to help Principal George Huff, left, "deliver a better product" to students.

Previously, there were no employment requirements or benefit limits.

President Clinton and the state governors have called on the U.S. business community to employ as many as 10 million current and former welfare recipients. Little believes that the challenge, though achievable, is among the toughest ever issued to employers during peacetime because the old welfare system "so poorly equipped so many for the world of work."

Accelerating Sales Efforts

When Little left the University of Missouri in 1964, he thought his bachelor's degree in industrial management equipped him well for employment at Quam-Nichols. His father, who was running the firm at the time, agreed. But he asked the new graduate to establish his fair market price by soliciting job offers from other companies.

"That seemed like a very logical thing to do, so I went through the interview process and was able to secure an offer," Little recalls. "But when I told my father what that offer was, he said, 'I don't think those people have good sense; I couldn't pay you near that much.'"

Building A Team Of Your Own

By Sharon Nelton

In her Pulitzer Prize-winning autobiography, *Personal History*, Katharine Graham, retired publisher of *The Washington Post*, tells what it meant to her to hire Benjamin C. Bradlee.

Graham had been thrust into the leadership of the newspaper upon the suicide of her husband, Phil, in 1963. After two years of learning the ropes and adjusting to life without Phil, Graham brought

always the leaders and teachers and I was the follower. Ben and I, however, were partners, very much together in focusing on our common goals. Though some may have viewed him as a bizarre choice, it was the right one for me."

Deciding Who's In Charge

Probably, almost any family-business successor can recall feelings much like

When successors make their first big hires, they begin to emerge from the shadows of their predecessors.

health problems and had to retire after 12 years as vice president of sales. "It was very sad to have one of my mentors retire," says Klein, whose company has 135 employees and annual sales of \$35 million. "At the same time, I was just energized about what the future could bring."

The process of building her top-management team, says Klein, "has been one of very much coming into my own."



PHOTO: ISAL DIMARCO-BLACK STAR

In forming your own team, "once you know what you need to do, then move," says Julia H. Klein, president of C.H. Briggs Hardware, a distribution firm in Reading, Pa.

Bradlee in as deputy managing editor. Three months later, she promoted him to managing editor.

"Ben's arrival changed my life in an unexpected way," Graham writes. "He was the first person placed in a major position by me, and the difference between my relationship with him and my relationship with most of the people who had been at the *Post* before me was striking. Despite my controlling ownership, to those who were already there I was still the newcomer, the junior partner. Even though they were mostly friendly and generous, they were almost

those expressed by Graham. Building one's own team can be a watershed experience.

It "has been the most important challenge I've undertaken and the most difficult one," says Julia H. Klein, the third-generation president of C.H. Briggs Hardware Co., Inc., a wholesale distribution business headquartered in Reading, Pa. Klein took over leadership of the company in 1992 but didn't make her first top-level hire—Charles J. White to be senior vice president of sales and marketing—until four years later.

White replaced Jesse Minnich, who had

A Question Of Authority

John G. "Jack" Troast Jr., a family-business consultant based in Boston, says that a successor building his or her own team "is an essential step in climbing the leadership ladder."

But it raises many issues for a family business.

Shortly after Nancy Nicholson became president of Advanced Products Company Inc. seven years ago, she ran into resistance from her father, Harvey Sommer, the company's chairman, over her proposed first big hire. Nicholson knew she had to re-engineer and "recession-proof" the North Haven, Conn., company, then a manufacturer of metal seals for the aircraft and nuclear-power industries. To survive, she says, "we had to completely revolutionize the way we looked at ourselves and the way we did business."

She wanted to hire Peter Amos, an executive with another company, as vice president of sales. "I knew this guy would totally turn the company on its head," she says.

"My father said, 'We can't afford to hire Peter Amos,' and I said, 'We can't afford not to. You gave me this job. Now let me do it.'"

She even threatened to quit. Finally, Sommer relented, and Amos was hired.

With Amos on her team, Nicholson has moved the company into sophisticated sealing technology and has diversified the customer base, adding the aerospace, oil, and gas industries. "We're growing at about 15 percent to 20 percent a year," says Nicholson. Annual sales at the company, which also has operations in Europe, have doubled to \$14 million since she took over, and she ex-

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pects them to reach \$20 million in two years. And her father is proud of what she has accomplished, she says.

Paralyzed By Ghosts

As new successors begin to hire their own team members, they, like Nicholson, may encounter resistance from parents or older employees. Friction, says Troast, can signify "resistance to change, to doing things differently." It also may be the result of the senior generation's unwillingness to let go, he says.

In families that have had to respond quickly to a founder's unexpected death, says Stephen L. McClure, a family-business consultant in South Bend, Ind., successors often become paralyzed and don't make any hires, or the choices they make seem aimed at pleasing the founder who is no longer there. "The initial reaction is to not betray the founder by doing anything too radically different," says McClure.

Successors whose predecessors have died often need to be in the latter stages of grief before they can make decisions, including hiring decisions, that will change the company, he says.

When successors look over their shoulder and measure their decisions against some image of what their predecessor would have done under similar circumstances, it's like having "a ghost," says James Olan Hutcheson, president of ReGENERATION Partners, a family-business consulting firm in Dallas. (He also is the former head of Olan Mills Studios, his family's photography company.)

In Hutcheson's view, such preoccupation with what a predecessor would have done is a warning sign. Successors have to "find their own identity," he says, and not just assume the identity of their predecessors.

Where there's a hard-fought transition between a successor and a dominating predecessor, says McClure, a successor may use hiring decisions to "show up or pay back the predecessor." If the parent is an expert in research and development, for example, the successor may go out and hire his own research expert. That tells the predecessor that "you're no longer needed," says McClure. "That's really a

spiteful thing. It's the wrong way" to go about hiring.

When succession goes smoothly, he says, "it's almost a nonevent," and the successor can concentrate on what the business needs in making hiring decisions rather than be preoccupied with the predecessor.



PHOTO: GRIFFITH

After winning a dispute with her father over her first major hire, Nancy Nicholson, president of Advanced Products, doubled sales at the family-owned sealing-technology firm in North Haven, Conn.

Another difficult issue for successors is having to ease out or even fire managers they have known for many years. At Advanced Products, says Nicholson, "some of them retired. The ones that we finally had to ask to leave, it was very painful. And I'm sure I didn't do it right."

Conscientious successors try to "diminish the threat to the predecessor's management team," according to McClure. Members of the predecessor's team who still have five or six years before they retire know that their careers depend upon the successor, he says, and they accept the situation.

"One of the things I've noticed about re-

ally savvy successors who are hiring people is that they know that it raises the level of professionalism among all people when they hire somebody in from the outside," adds McClure. "And so they look for that benefit."

Nicholson says that instead of coming down to the level of her company, her first key hire, Amos, "brought the company up to his professional level."

At some point, the new leader of any family business has to bring together his or her own management team. It's a challenge, but one that can go easier if successors and their predecessors observe the following recommendations:

For Successors

Choose your team according to business needs.

McClure suggests that you ask yourself questions such as: "What's the strategy for the business? What's your vision for the business? [What's] your motivating dream that others—preferably people who have skills that you don't have—are going to help you achieve?"

You have to look ahead, says Briggs Hardware's Klein. "For me, that meant trying to hire for the future."

Make sure all the owners of the company understand the goals.

Nicholson's father owns 51 percent of the company to her 49 percent. She wishes that she could have sat down with her father seven years ago and said, "This is my business plan. Please support my decision." But it's hard for a successor to have that level of comfort with a parent, she suggests, and emotions can get in the way.

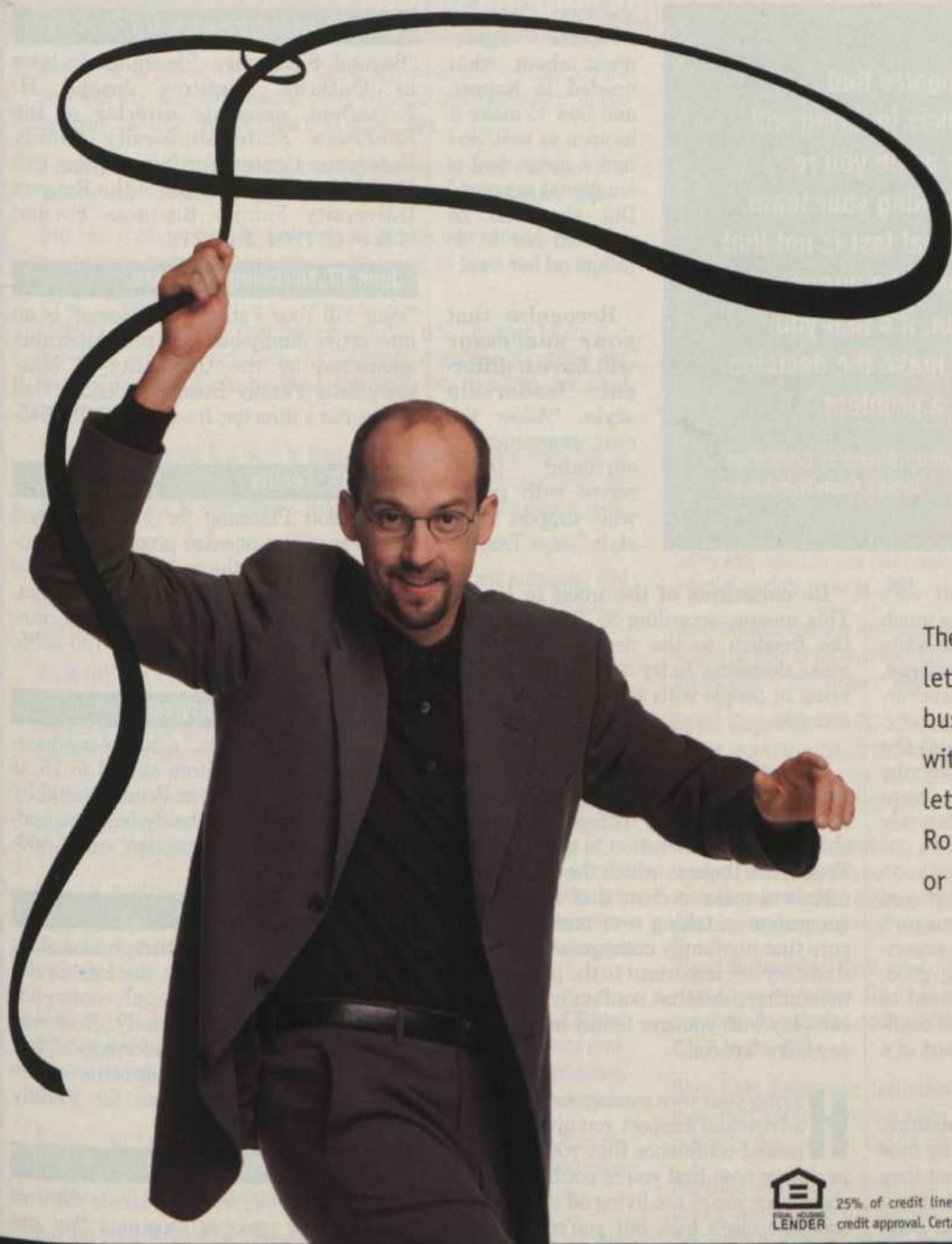
Develop your own leadership style.

And build a team that will support your style, advises consultant Troast. This doesn't mean, however, bringing in people who won't challenge you.

Don't wait too long. "The quicker [that] successors can take ownership of that team as being their team, the quicker their confidence is going to come around," says Hutcheson.

That's not to say you should come in and replace the entire staff, he cautions; you don't want to lose the experience and value

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that some members of the previous team can provide.

If she had it to do over, says Klein, she would have acted a lot faster. "I think maybe my desire to be so careful about it probably restrained our growth a little bit," she says. "And the lesson for me is once you know what you need to do, then move."

Treat your predecessor's managers with respect.

"There's a huge balancing act for me between honoring somebody's past contribution and building for the future," says Klein. She feels she had to come to terms with the fact that the management team she inherited wasn't going to make the best fit for the future. "It just doesn't ever work that way. The business needs change," she says.

It might have been easier just to fire people, she acknowledges, but that wouldn't have been the right thing to do. "I felt very strongly about treating them with as much dignity and respect as I could, financially and otherwise," she says. The experience, she says, "cost me a lot of money in severance."

Troast urges successors to "harness the energy and wisdom from the people who are there." While a predecessor's managers are still in the company, you can rely upon them as mentors.

Become a mentor yourself. If you have had good experiences with your own mentors, advises Troast, pass that experience along. In addition to having good, qualified peers, he says, you will want to have protégés whom you "will feel confident in developing and making a part of a successful team relationship."

Don't be afraid to make a mistake. And don't beat yourself up over hiring mistakes, says Hutcheson. Recognize that they will happen. "The real test is not that you hire the wrong person, it's that you don't make the decision to fix a problem," he says.

For Predecessors

Offer your support. If you've transferred control to your successor, offer en-

couragement and help the person build self-confidence, says McClure. If you still have ownership control, he says, give your successor "a lot of rope" and "do whatever you can to show them you're not going to yank on that rope."

Convince successors that they should make hiring decisions based on business needs, not on what they think will please you, McClure advises.

"I've been very fortunate," says Klein. She and her father, she says, "were in complete agreement about what needed to happen and how to make it happen as well. So I had a great deal of emotional support." But, she adds, he expected her to do things on her own.

Recognize that your successor will have a different leadership style. "Allow the next generation to surround themselves with people who support their style," says Troast.

Be conscious of the need to let go. This means, according to Troast, "giving the freedom to the next generation to make decisions, to try new things," and to bring in people with whom they feel comfortable.

Help older key nonfamily managers understand their role. Family companies that succeed in transferring leadership from one generation to the next, says Troast, are those in which the older family members make it clear that the younger generation is taking over and also make sure that nonfamily managers understand that they are important to the process. The mentoring roles that nonfamily executives can play with younger family members, he says, are "crucial."

Having your own management team to advise and support you gives you "renewed confidence that you really are in charge now, that you're not living in the shadow or you're not living off the fumes of someone else's fuel, but you're really accountable now," says Hutcheson.

How does Klein feel about having her own team in place?

"Fantastic!" she responds. "I'm surrounded by people who give me energy. That enables this company to fly." **NB**

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June 3-5, Chicago

"Managing Succession Without Conflict" is a seminar featuring nationally known family-business authorities Léon A. Danco and John L. Ward. Call the Arthur Andersen Center for Family Business; 1-800-924-2770.

June 12, New Brunswick, N.J.

"Beyond Succession Planning: In-laws as Outlaws" features Joseph H. Astrachan, associate director of the Kennesaw State University Family Enterprise Center. For information, call David Niemeyer, director of the Rutgers University Family Business Forum; (732) 445-7504, Ext. 21.

June 17, Northampton, Mass.

"Wait Till Your Father Gets Home!" is an interactive family-business musical drama sponsored by the University of Massachusetts Family Business Center. Call the center's director, Ira Bryck; (413) 545-1537.

June 18, Seattle

"Succession Planning for Family-Owned Businesses" is a one-day program co-sponsored by, among others, *Nation's Business* and The Cambridge Institute, a Vienna, Va., management company. For information, call Kim MacAdam; (703) 790-9595, Ext. 193.

June 22-Aug. 8, Pennsylvania

"Camp Business Cents," a business-education program for children ages 3 to 15, is offered in 10 locations in Pennsylvania by Cindy Iannarelli, a family-business adviser. For further information, call 1-800-672-4639.

July 23-25, San Antonio

"Family Business and Entrepreneurship: Building Bridges Through the Life Cycle" is the theme of the annual conference of the International Family Business Program Association. For information, call Doris Sandberg, program director, at the Baylor University Institute for Family Business; (254) 710-4154.

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Case Study: A Business Threatens A Couple

Jon and Page, in their mid-40s, have reached a crisis in their marriage. Jon spends most of his time at their business, JP Machine Shop. When he's home, he is harshly critical of Page and what he sees as her inability to handle their two young adolescent sons and the household chores. Page is becoming increasingly overwhelmed and depressed.

Page works part time in a local accountant's office plus about 10 hours per week in the family business. Jon started the shop three years ago; he owns 60 percent, and Page owns 40 percent. In addition to Jon, there are three full-time employees.

Business at times is "almost too much to handle," says Jon. In response to the continued demand, he works most weekends. His few spare hours are spent coaching his sons' Little League games. Instead of hiring an office manager, he prefers to oversee all management issues himself. "I live in constant fear that the bottom will fall out and the overhead will bring down the business," he says.

Although Jon states proudly that his business needs to come first at this time, Page wants him to spend more time with her and the family. Each is reluctant to make concessions.

"I'm really angry that Jon demands that I be more responsible about household chores and blames me for problems with the boys," says Page. "If they're out of hand, it's because he's not giving them enough attention. He says I'll be less depressed if I work more hours in the business, but he allows me no say, even in his schedule. How will this marriage ever survive the family business?"

Response 1

Start Talking

After three years of hard work, it's time for Jon and Page to take stock of their marriage and their relationships with their sons and that very demanding other child, JP Machine Shop.

Owning a business together can be very tough on a marriage. And just because you work together a lot doesn't mean you ever really "talk." Jon and Page need a regular time—at least monthly, perhaps weekly—to nurture their relationship with each other. My advice to them: Reserve a night out, perhaps dinner, away from distractions. Set ground rules that work for you. Limit discussion to personal, marriage, and parenting issues. Remember, you can't build a strong business when partners have strained personal relationships.

Second, Jon and Page need a regular time reserved strictly for ownership issues or business-partnership matters. Partner meetings (or board meetings), held at least quarterly, should include a review of business performance, including financial and other key indicators; plans for the growth of the business; and a check on how each partner feels about his or her role in the company and about their aspirations.

While some business couples can do these things on their own, most need the guidance and support of others who understand the challenges facing the couple. Find another business couple respected by both, a family-business consultant, or a counselor with an understanding of business marriages to help you honor your marriage and your business partnerships.



ILLUSTRATION: TROY THOMAS

Response 2

Do An Analysis

Decisions on matters that overlap home and business can be emotionally charged—and risky. Jon and Page may require professional consultation, but if they are do-it-yourselfers, here are some things they can do:

■ Admit to each other that what they both are doing now is not working. Schedule, at least a week in advance, a *daytime* meeting at a neutral spot—ideally, a low-key restaurant where telephones can't interrupt.

For a week before the meeting, each should keep a detailed log of all activities at home and at work, and they should review the

logs together at the meeting. They should consider whether Page can quit her part-time job with the accountant and develop into a 20-hour-a-week office manager at JP Machine Shop. Jon could then agree to stay out of the shop from noon Saturday until 7 a.m. Monday.

■ Redefine the partnership. John acts like the 100 percent decision maker even though he owns only 60 percent of the company, and he directs Page's housework. Can Page list her competencies? Can Jon delegate one decision to her to make during the following week?

■ Plan a "date" to rediscover what's fun, without mentioning business or kids.

■ Practice healthy confrontation by describing observed behavior and then naming personal feelings: "When you said I was behind in paying bills, I felt like screaming at you."

■ Catch each other doing something right at least once a day.

■ Review numbers to see if Jon's anxiety about overhead is realistic.

Once they take these steps, Jon and Page will benefit more fully from both of their partnerships—at home and at work.



PHOTO: T. MICHAEL KEZA

Henry D. Landes, president of the Delaware Valley Family Business Center in Sellersville, Pa.



PHOTO: JIM CALLOWAY

Ellen Frankenberg, a Cincinnati-based family psychologist who consults with family firms.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Paul I. Karofsky, executive director of the Northeastern University Center for Family Business in Dedham, Mass. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Boston. You can comment on this case study on the World Wide Web at www.ffi.org/forums.html.

MANAGING

Programs That Aid Troubled Workers

Employee-assistance plans are taking on larger roles to help small firms deal with individuals' personal problems.

By Roberta Reynes

Six years ago, John Hyland, president of Hyland Brothers Lumber Co. in Lincoln, Neb., noticed that "lots of employees' problems on the job seemed to reflect back to personal difficulties—financial, legal, alcohol, drugs, or whatever." An employee might exhibit patterns of tardiness and absenteeism or convey a hostile or uncooperative attitude toward supervisors or even customers—all big problems for a retail business such as Hyland's.

"We are a small company trying to work with a skeleton crew," he says. "When a person is not here during a busy time, it puts a big crunch on the rest of the work force." This in turn causes more bad attitudes, he explains, and the problems ripple outward.

What to do? The company, which has 55 to 65 employees depending on the season, had no one on the payroll to address such problems—"We're not social workers," Hyland says—and couldn't afford to hire a human-resources director to do so.

The solution? Hyland signed up an area employee-assistance-plan provider, Lincoln EAP. Employee-assistance plans (EAPs) help identify and resolve workers' problems by providing short-term counseling, referral to specialized professionals or organizations, and follow-up services. They also train supervisors to recognize and deal with troubled employees.

A Provider Boom

The number of EAP providers has exploded in recent years. More than 20,000 operate in the United States, according to the Employee Assistance Professional Association Inc. in Arlington, Va. That number is up from 10,000 in 1991. Small businesses account for a substantial proportion of the new EAP providers' clientele, industry experts say.

Island EAP, based in Oak Harbor, Wash., opened its doors in 1993 with five client

companies; now it has 27. Two-thirds of those have 100 or fewer workers, and the smallest client has six employees. At the Bennington Psychotherapy Group, based in Bennington, Vt., 90 percent of the client companies have no more than 100 workers.

Many EAP providers say they have begun offering a wider range of services to small businesses in the past few years. Such providers often can tailor a program in a variety of ways to meet a particular small company's needs and budget.

When EAPs were begun in the 1940s, the focus was on dealing with alcohol problems. Today, their role has expanded dramatically. Psychological disorders, for example, became a hot topic for EAPs after the federal government issued guidelines in March 1997 on how businesses should handle employees with such disorders under the Americans with Disabilities Act. (See "When Workers Have Mental Disabilities," December 1997.)

"We just held a seminar for managers on compliance [with the disabilities law] and had a huge turnout," says Kristine Brennan, Lincoln EAP's executive director and the founding chairwoman of the EAP association's Small Business Committee.

EAPs also help small companies develop policies and procedures on topics such as sexual harassment, drug testing, and violence in the workplace.

Crisis Intervention

Although small firms value the guidance they receive on regulatory compliance, they are more likely to describe the benefits of EAPs in terms of one-to-one relationships.

John Chapo, executive director of the 16-employee Folsom Children's Zoo in Lincoln, says: "You can frequently tell when a person is having a difficult time. He or she may be totally unfocused on a task that they've been successful on historically. In that case, I pull out the EAP business card

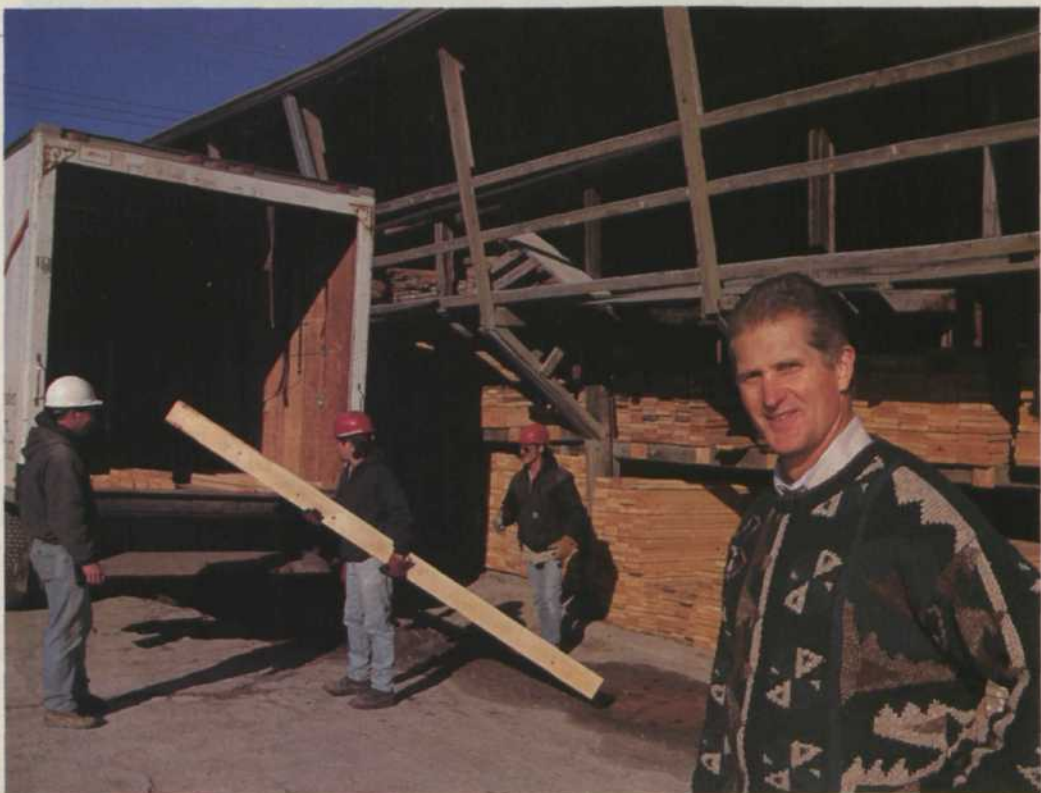


PHOTO: ©RANDY HAMPTON—BLACK STAR

At his small lumber company in Nebraska, says John Hyland, an employee-assistance plan helps address workers' problems that no one on his staff can handle.



PHOTO: ©DOUG WILSON—BLACK STAR

and say: "Give them a call. It doesn't cost you a dime."

Martha Rose, executive director of Island Transit, a provider of bus services based in Coupeville, Wash., recalls an instance when a woman employee "came in one day, obviously very upset" about her son's drug problem. "I suggested that she give the EAP a call on my phone. Afterward, she hugged me and said she didn't realize how much she needed support until after she had it."

Rose continues: "One of the things that is most important about an EAP is that it helps people gain balance at a critical time."

In addition to supervisor-suggested referrals, employees and their family members can call a company's EAP directly without telling anyone at work.

A third category of initiating EAP services is when supervisors strongly recommend to troubled employees that they get counseling. Failure to seek help in such cases can lead to termination.

"We ask for a problem individual's involvement with the EAP," Hyland explains. "If an employee will at least try to better himself, I am willing to stand behind that person. But if they are not even willing to try, that is not going to help us here. So I have used this option somewhat as a litmus test to say: Do we really want the person here?"

Confidentiality Is Key

All EAP sessions are confidential. This is an important key to success, says Ruth Ann Myers, a partner with Bennington Psychotherapy.

Business owners say that EAPs are helping them attract high-quality employees. "The market right now is geared strongly to benefits, and people are looking at the

whole package," says Robin Rivers, who handles various duties, including human resources, at Rivers Metal Products, a custom metal fabricator in Lincoln.

Over the past four years, the family business—Rivers is the founder's daughter—has almost tripled in size to about 100 employees. It joined Lincoln EAP a year ago, and Rivers now finds she has more time for the various other hats she wears. "I have fewer people coming into my office and complaining about personal problems," she says. "It was taking up a lot of time. Now I give them half an ear and say: 'Why don't you give the EAP a call?'"

Differing Costs

EAP costs vary widely. They depend on how the provider is structured, the types of services offered, and the method of calculating charges.

Lincoln and Island EAPs are owned by their members, for example, while Bennington is a private company. Island EAP charges a flat \$2.85 per month for each employee and his or her family. At Lincoln EAP, where companies select from a variety of services, annual fees are assigned on the basis of a company's historical use of the EAP's services. Pricing for companies signing up for the first time is based on Lincoln EAP's experience with similar firms.

Employers generally pay the costs for employees' use of EAPs. At Folsom Children's Zoo, for example, the cost works out to 0.25 percent of its operating budget of \$800,000 to \$900,000 a year.

Some EAP providers have several therapists on staff. Others do extensive referrals. For example, clients of Island EAP can meet with Valerie Vernon, Island's executive director, as often as four times a

An employee-assistance plan

"helps people gain balance at a critical time," says bus-service director Martha Rose, center, with members of her staff.

year. "Sometimes [the employees] just need to talk to someone," she says. "But often, the person needs to be [referred] elsewhere. I'm responsible for matching their insurance and/or financial capabilities with wherever I refer them."

EAP interaction with health insurance depends on the employee's type of coverage. Some health plans provide mental-health benefits beyond those offered through the EAP, while others don't.

Employers who use EAPs generally feel they get their money's

worth. Several studies have shown the cost to firms of mental-health problems and the savings that can be derived from EAPs. A U.S. Department of Labor study, for instance, found that for every dollar an employer invests in an EAP, it saves \$5 to \$16.

Whatever the cost, small-business owners frequently note that providing an EAP for workers lifts a heavy burden. Says Island Transit's Rose: "We've had so many success stories. The cost is so minimal compared to the value. My message to anyone thinking about this is: Go for it. You'll be very happy you did."

NB

Roberta Reynes is a business writer based in Spencertown, N.Y.

Picking An EAP

Before choosing an employee-assistance-plan provider, check references. You may also want to:

- Check that the EAP's professional staff members are licensed and keep up their continuing education. Note their professional-association memberships and their experience with EAPs.

- Make sure the EAP's counselors demonstrate insight and warmth and are easy to talk to.

- Call the Employee Assistance Professional Association Inc. in Arlington, Va., at (703) 522-6272 for information on EAPs in your area. The association also lists providers on its World Wide Web site, www.eap-association.com.

Following Their Homing Instinct

By Steve Bates

Becky and Kevin Lawrence, who run a catering and decorating business from their home in Kosciusko, Miss., stay busy. They plan wedding receptions and other special events, design the flower arrangements, order the supplies, decorate the sites, and cook and serve lavish meals. Yet despite all the long hours they put in, "our neighbors think we're retired," says Becky Lawrence.

Their business, called Traditions, is nearly four years old and well-established, but in a rural community such as Kosciusko, says Lawrence, it's not obvious to passers-by that there is a real business in the house. Such misperceptions are just part of the territory for home-based business people.

The Lawrences once had a storefront office but shifted operations to their home after finding little need for renting additional space. That's just one of the many reasons why entrepreneurs set up shop at home.

For some it's a lifestyle decision, a desire to avoid long periods away from family, friends, and comfortable surroundings. Others are driven to be their own boss and don't want the expense and commuting time that come with a traditional office. Some find the need for a second, typically part-time job that can be started at home. And there are those who are between conventional jobs and feel they should create a temporary occupation.

The U.S. Labor Department's Bureau of Labor Statistics, which recently conducted its first survey on the topic, found that there are just over 4 million self-employed, home-based workers. (See the chart on Page 76.)

However, home-office associations say the number of home-based businesses is much higher because any such count should include home-based firms that do not have business licenses, that have a small number of employees, and that are begun as part-time, second jobs.

"The Place Of Choice"

"There are at least 50 million people who work from home," says Rudy Lewis, president of the National Association of Home Based Businesses, based in Owings Mills, Md.



Self-discipline is essential to making a home-based business work, say experts on the growing phenomenon.

Lewis expects that number to grow. In the new millennium, he says, "the home is going to be the place of choice."

A recent survey of local-government officials in Texas found that about half of all new businesses registered in the state last year were home-based, notes David Buchen, an economic-development specialist for the U.S. Small Business Administration in Milwaukee.

The rapid growth in the use of the Internet is and will be a major factor spurring creation of home businesses, experts say.

Many companies that offer hardware- and software-related products and services are already using the World Wide Web effectively, and some entrepreneurs starting other types of firms are beginning to join them.

A special breed, home-based business people seek lucrative niches.

Engineers, consultants, desktop publishers, and many other white-collar business people can set up a home office and a Web site for less than \$10,000—far less than the cost of establishing a traditional company, says Buchen.

Notes Lewis: "You don't need a big office; you can project all kinds of images" of your business through the Web.

Home-based-business owners will get a little help from Uncle Sam next year. A recent change in federal tax law will allow more people to deduct the cost of home offices from their taxes. However, that likely won't be a major factor influencing the growth in the number of home-based businesses, experts say.

They offer these tips for people who are thinking about starting such a business:

Find the right market. "People [might] know how to make dollhouses or keep books and assume there's a market for it,"

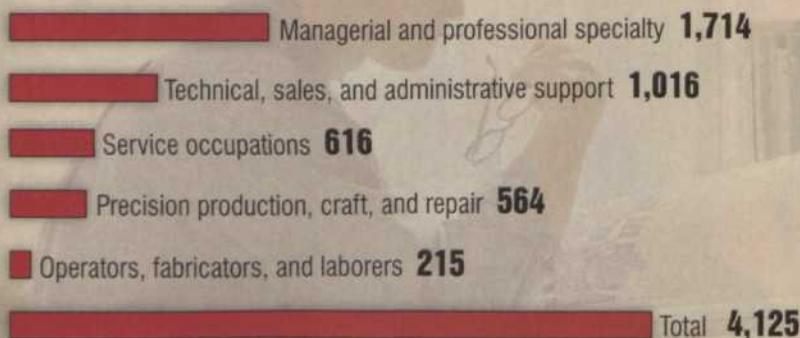
says Barbara Rowe, a business professor and extension specialist at Purdue University in West Lafayette, Ind. "There would be a lot fewer business failures if people would turn that on its head" and find what product or service the public wants—and what isn't being provided by existing firms in the market area—before launching a business.

Consider your talents. Do you have the discipline to stick to a work agenda even if the faucet is leaking or the kids are fighting? Can you remain calm when it seems like no clients will ever call?

Starting a home-based business "is not for the faint of heart," says Denny Harris, executive director of the Small Office Home Office Association, based in Reston, Va.

Working At Home

Federal government estimates of the numbers of self-employed Americans with home-based businesses. (Other sources cite higher estimates.) Figures are in thousands.



SOURCE: BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR

Don't neglect the details. Zoning provisions, business licenses and fees, questions about whether you should incorporate, benefits for any employees, and many other matters should be part of your detailed business plan before you take the

plunge. A business plan is just as important for a home office as it is for one in an office building.

Seek mentors and other resources. Local chambers of commerce, Cooperative

Extension Service representatives, and Service Corps of Retired Executives (SCORE) Association volunteers can offer timely advice. "If you don't know the answer, don't be afraid to go find it," says Becky Lawrence, who keeps in regular contact with the extension office at Mississippi State University.

Watch out for scams. Many scam artists promise riches to those who work from home, but "if it sounds too good to be true, it probably is," says Beverley Williams, president and founder of the American Association of Home-Based Businesses in Rockville, Md. "Do your research" before committing money to any business, says Williams. "There's a plethora of books out there on home-based businesses. Go to your library or bookstore."

Williams cautions new home-business owners that if they expect their venture to be their only source of income, they should have about a year's worth of salary in the bank.

Even with the best business plan and a waiting market, "you're not going to become wealthy overnight," says the SBA's Buchen. "You've got to put money into the business before you take it out."

Glenn Muske, a home-business and microbusiness specialist with the Oklahoma Cooperative Extension Service in Stillwater, says a home-based venture must "be something you love, that you can do practically seven days a week" without getting burned out.

Those who survive the first year or two in a home-based business tend to hang on for a decade or more—if they choose, says Purdue's Rowe.

Despite their many differences, home-based business people are a special breed who share the desire and ability to do business differently than the mainstream.

"A lot of these people are very innovative," says Buchen. "They look for niches and variety. In one community it's landscaping; in another it's taking care of people's dogs."

Says Rowe, "They fill niches that big companies can't fill or don't want to fill."

Web Sites and Phone Numbers

Here are some organizations that offer help to people who have or are considering establishing home-based businesses:

■ The American Association of Home-Based Businesses. You can visit the organization's site on the World Wide Web, www.aahbb.org, or call 1-800-447-9710.

■ The National Association of Home Based Businesses. Visit www.usahomebusiness.com or call (410) 363-3698.

■ The Small Office Home Office Association. Visit www.sohoa.com or call toll-free 1-888-764-6211.

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High Tech Meets Franchising

By Thomas Love

For franchisee John Brewer, the vague term "high tech" has a precise meaning: an Internet-generated order for \$3,500 in sandwiches from his Steak-Out Char-Broiled Delivery store in Birmingham, Ala.

For PIP Printing franchisee Nazim Jaffer in Los Angeles, high tech means receiving a printing job via the Internet from a customer in London.

For thousands of members of the franchising community nationwide, high tech means the ability to communicate efficiently and inexpensively among themselves about everything from effective business strategies and evaluating equipment to ordering supplies and tracking a whole franchise system's sales figures.

High tech also means that some franchisors and franchisees are offering the public access to the Internet at franchise locations and are broadening their business services.

The public can also conduct all sorts of business with franchise companies—from ordering a meal to finalizing a mortgage—through a computer, a modem, and a telephone connection.

No doubt about it: The franchising community and its customers have embraced high technology with fervor.

Steak à la Cyberspace

John Brewer received his massive—and completely unexpected—sandwich order several months ago from a convoy of soldiers in Texas. When the soldiers fired up a computer and asked an Internet search site to locate steak restaurants in Birmingham, Brewer recalls, "Steak-Out came up, and they gave us a call. It was really exciting."

Steak-Out is listed on an Internet service called Cyberchefs (www.cyberchefs.com), which enables people with access to the Internet to find restaurants in various geographic areas, browse their menus, and place orders either online or by phone.

Steak-Out's presence on Cyberchefs' World Wide Web site was not by happenstance. Joe McCord, vice president of franchise development for Steak-Out, which has 82 stores, mostly in the Southeast, says that about two years ago one of his franchisees suggested getting onto the Internet.

At that time, however, McCord wasn't sure what the benefits would be.

"But the more we looked at it," he says, "we saw the huge momentum of more and

The Internet and other technologies help the franchising community boost business and improve communication.

plained what they were doing with their already functioning system. We thought we might be able [to piggyback on Cyberchefs' Internet investment] to grow our brand by adding convenience for people who are heavy Internet users. We're in a lot of high-tech towns such as Atlanta and Huntsville, Ala."

According to Cyberchefs, the service is financed both by fees paid by companies using it and by paid advertising.

As soon as Steak-Out was on Cy-



PHOTO: GERRIT BARTHOLOMEW

An online service provided by PIP Printing enables franchisee Nazim Jaffer to pull printing jobs off the Internet and download them into his computer system.

more people getting on the Internet, which was changing the face of commerce."

At first, says McCord, he thought any Internet benefit for Steak-Out would be limited to building brand awareness. "We didn't think we would be able to sell our products over the Internet because we have very limited delivery areas."

"Then Cyberchefs contacted us and ex-

berchefs' Web site, McCord says, the company started seeing activity as a result, even without any promotion. "This proves the business is there," he says. "We hope that by [our] being on the Internet, people will have some knowledge of us when we go into new markets, which would make it much easier."

Cyberchefs went online in October

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1997. The service lists more than 1,600 restaurants and restaurant delivery services nationwide, according to Gordon Flaste, restaurant liaison for the company.

Once potential restaurant customers have registered their home, office, or other location on the Cyberchefs site, they can browse menus of nearby participating restaurants, read reviews, or order directly from a restaurant.

Cyberchefs does not charge restaurant customers for the service.

London To Los Angeles

Most customers of franchisee Jaffer's PIP Printing store in Los Angeles still bring their jobs to him on computer diskettes, and he takes it from there.

But the PIP corporate network now provides an alternative: an online service that enables customers to submit their jobs over the Internet not just to Jaffer but to any of the more than 600 PIP printers in the United States and the United Kingdom.

Jaffer's first experience with the PIP online service, launched in 1995, came about this year when a company in London sent him a rush job to be printed and delivered to a Los Angeles-area firm. The order consisted of a series of documents—

mostly pictures of costumes with accompanying descriptions—bound for a film-production company.

"It was the first time I had done this," he says. "I just pulled the job off the Internet and downloaded it into my system."

When Jaffer received the order, he called the film company, about 40 miles from his store, to tell the firm the job would be ready within 45 minutes. A courier was waiting for the finished job, and the total time between receipt of the order and final delivery to the film company was less than 90 minutes.

Jaffer says he also benefits from Internet-transmission technology when he receives a job that he may not be able to complete on time because of his workload. He sends such jobs over the Internet to another PIP company, which does the printing and returns the final product to him by courier or overnight express.

The PIP network is also useful, Jaffer says, for communicating with other store owners about business problems and other matters. "I can post a message, and any other owner can reply," he says. "It is so

much easier for me to post a general message than search around to find if other owners can help me."

For example, Jaffer says, he might make such a companywide posting before buying additional equipment. "If others have purchased [this type of equipment], they can tell me what they find interesting about it."

Technological Transition

Ben Freddy, PIP's vice president for franchise services, concurs that the rush into the Internet and other high-tech activities has transformed his company. "Our early franchise owners could open up [in the 1960s], and probably the thing they had to worry most about in their first 15

years was when to buy a second press," he says. "Once they got over that hump, they were good for another five years."

"Then, in the early to mid-1980s, there was the high-speed duplicator, but that was just putting black marks on paper, and we understood that and were pretty good at it. But now, like nearly everyone else, the computer has touched our business and forced us to do new things to remain competitive."

"Our big push now," says Freddy, "is to help those owners—who were pretty quick to under-

stand that second press and high-speed duplicator—to really understand the computer and how it is changing us."

PIP has many franchisees over age 50 who didn't grow up with computers and may be intimidated by new technology, Freddy says. "We need to educate owners and get them into the technological world and then get our stores configured in a way that meets the needs of the customer today," he says.

While PIP stores used to get all artwork in a mechanical form—on art boards, napkins, notebook sheets, and the like—now about 30 percent comes in digital form: on computer disks or over the Internet.

This in itself creates a challenge because of the large number of software programs a store must be able to handle, he says. About 10 percent of PIP's business comes in over the Internet, probably twice as much as six or 12 months ago, according to Freddy. He says he wouldn't be surprised if the figure jumped to 25 percent by next year.

PIP and the Sir Speedy printing franchise, also owned by Franchise Services of

"Our big push now is to help [franchise] owners to really understand the computer and how it is changing us."

—Ben Freddy,
Vice President,
PIP Printing

Franchising

SPECIAL GUIDE

Mission Viejo, Calif., have about 1,500 stores here and in Europe. This broad reach, along with the growing business and consumer use of the Internet, places the company in a good position for the future, Freddy says.

The Business Of Helping Business

The growth of the Internet also has spawned companies that provide services to the franchise community.

One such company is Franchise Solutions Inc. of Portsmouth, N.H. It runs three Internet sites: www.franchisesolutions.com, www.franchiselinks.com, and www.franchiseowner.com. The first two are designed for franchisors; the third is for franchisees. "We do two things for our approximately 150 franchisor clients," says Calvin Haskell Jr., president and CEO of the company. "We have programs to help companies grow and programs to help companies become better."

For example, on the Franchise Solutions site, Web surfers might find an interview with the president of a company, a banner advertisement, a company's logo on which they can click a mouse to get more information, or a direct link to the home page of a franchisor client.

The firm also will perform and provide to the client a series of diagnostic studies of the franchise and surveys of its existing franchisees to help the company improve its operations, Haskell says. "Sometimes we conduct exhaustive interviews with people to find out why they have looked at a particular franchise offering and at the last minute got cold feet and said no," he continues.

At www.franchiseowner.com, franchisees are offered a free service that enables them to go online to ask other franchisees for help in solving problems. The site is carefully moderated, Haskell says, and messages must be approved by Franchise Solutions before they are posted.

"We don't allow people to bash their franchisors or to advertise what they do," he explains. "This is strictly a business owner's communication center—a place where a retailer in Arizona can help a fast-food guy in Spokane solve a particular problem. I think the collective brain trust

of 45,000 franchisees across the country is enormous."

A nice feature of the business-to-business program, Haskell adds, "is that if you pose a problem and two weeks later someone comes in to help you solve it, you're automatically e-mailed the information—you don't even have to check for it."

Internet By Association

The International Franchise Association (IFA), a nonprofit trade group based in



PHOTO: ETHOR SWIFT-MERCURY PICTURES

At his Mail Boxes Etc. franchise, Jim Sleeper—with employee Trish Coman—has computers for customers to access the Internet and receive electronic mail.

Washington, D.C., also uses the Internet widely to communicate with and deliver services to its 30,000 members—franchisees, franchisors, suppliers, educational institutions, and other franchise associations worldwide.

John Reynolds, the IFA's executive vice president, says a franchise system is ideal for an electronic network because of the ties between franchisors and franchisees.

The IFA's own, newly redesigned Internet home page (www.franchise.org), which premiered this year, is divided into public and members-only areas. "Our site is

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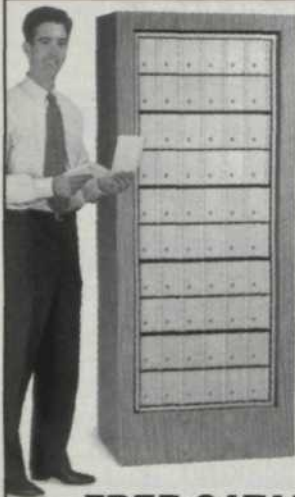
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FRANCHISING

much broader than just providing information to members," Reynolds says. "When we studied the traffic on our old home page, we found that 80 percent of those accessing it were not members. These were people who wanted to learn about franchising or specific franchise opportunities, who were thinking about buying and were looking for resources, or who wanted to franchise their own businesses."

As a result of this analysis, the IFA put information of that type on its revitalized site, including an online directory of all 650 corporate (franchisor) IFA members. Most of these companies have direct links from the IFA listing to their home pages.

The IFA site also lists franchise companies that are not members, Reynolds notes, "but we don't provide detailed information on them or links" to their Internet sites.

A Broader Net

The refurbished IFA site has a page providing books for sale on legal issues concerning franchising, on how to franchise a business, and on steps a person should take before buying a franchise. And IFA members—in an area of the site accessible only to them—can subscribe to a bi-monthly newsletter delivered via electronic mail.

The IFA also has launched a program to deliver a greater variety of communications to members over the Internet—including legislative alerts and convention information.

"We're still in the process of getting members to sign up and teaching them how to use it," Reynolds says. "Probably 90 percent of IFA's members get information by mail now and 10 percent through the Internet."

In the next year or so, about 80 percent will have chosen the Internet as their delivery mechanism, Reynolds forecasts. "This will save a lot of postage, a lot of printing, a lot of trees."

Still another IFA goal for the Internet is enabling members to network, Reynolds says. "At our conventions, members often tell us the No. 1 thing they want is the opportunity to network about different topics of interest. So we are developing Internet bulletin boards and chat groups for our members to leave messages, leave attachments, and share information," he says.

The association also is looking into developing Internet bulletin boards—called newsgroups—for each of its committees,

thus allowing members to share information over the Internet instead of by mail. "We have a lot of members who are experts in different areas," Reynolds says, "and we are trying to create forums or channels within the Web site to take advantage of them."

The Chicago-based American Franchise Association, an organization representing more than 14,000 outlets in 60 industry areas, has an Internet site at <http://infonews.com/franchise/afa>, which includes information on the organization and its member benefits.

Another franchisee organization, the American Association of Franchisees and Dealers, based in San Diego, is at www.aafdl.org. The group has members in

all 50 states, and they represent more than 250 franchise systems. The Web site offers franchisee-related publications, information on the franchise industry, news for members, member Web sites, and other member benefits.

Even the federal government is getting aboard franchising's high-tech bandwagon. The U.S. Small Business Administration plans to have a Web site ready by June to help speed up the process of acquiring loan guarantees for franchisees. Users will be able to tell immediately which franchisees

are eligible for SBA loans, eliminating an often lengthy process now conducted by banks considering such loans.

Wired Franchisees

In addition to using the technology to increase efficiency and boost business, franchise companies are using the Internet to offer new or improved services and to communicate internally and with suppliers.

If your business or home has a flood or a fire, for example, one place to turn for help is www.steamatic.com, the home page of Steamatic Total Cleaning & Restoration. By clicking the "Emergency Response" icon on the site, you will be given a centralized emergency phone number. Call that number, and the operator will dispatch personnel from the Steamatic franchise nearest you. They'll usually be at your door within two hours, according to the Web page.

Bill Chastain, who owns a Steamatic franchise in North Kansas City, Mo., was contacted at home one recent night at about 10. A woman in the area had a foot-

"We have a lot of members who are experts in different areas, and we are trying to create forums or channels within the Web site to take advantage of them."

—John Reynolds,
Executive Vice President,
International Franchise
Association

Franchising

SPECIAL GUIDE

deep flood in her basement—the result of a rupture in a washing-machine hose. The call had come into Steamatic through its Internet page and was relayed to Chastain by an employee on duty.

"We went over and extracted the water and started the drying process for the carpeting and walls," he says, noting that speedy response is important in cases of flooding.

"Generally, within three or four days we have the structure and carpet completely dried out, and we can re-install the carpet," he says. "Usually it's not necessary to do much to the building if it is dried out quickly, but sometimes it is necessary to repaint."

Emergency responses aren't the only useful feature of Steamatic's Web site. "We're using the Internet to place orders for equipment and supplies and to exchange information back and forth" among franchisees and with the franchisor, Chastain says.

"Of course, old habits die hard, and this is something of

a challenge, because you're used to picking up a phone and talking to someone directly. But you have to change. Us old dogs have to learn to sit down and use the Internet to find our way around it."

Like many other franchisors, Steamatic is using its site for more than promoting the company to prospective franchisees. But how many other sites have a "links"

icon that connects to such emergency-related sites as the Federal Emergency Management Agency?

A Housing Site

An individual moving to another city may want to sign on to www.homes.com, the on-line version of the franchised *Homes & Land* and *Rental Guide* publications. Giles Cassels, director of marketing for Homes & Land Publishers, the parent company, based in Tallahassee, Fla., says the Web site

has all the listings of properties for sale or rent that appear in the more than 200 *Homes & Land* and 30-plus *Rental Guides* covering about 15,000 communities.

"If you're interested in finding a house, go to the home page and click the real-estate icon," Cassels ex-

Through a World Wide Web site hosted by Steamatic, a cleaning-and-restoration franchise company, customers with emergencies can reach franchisee Bill Chastain, left, and Scott Thana, operations manager.



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plains. "Click the property-search button and then the city on the map that you're interested in. Or go lower on the page and type in the city and state."

Once on that locality's page, you can search by size, location, or price for a listing of all the properties that fit your criteria.

Clicking on a property displays a photograph, details, and the name and phone number of the listing agent.

"You also can get information on area schools—including maps showing how to get to them, who the principals are, phone numbers, student-teacher ratios, the number of computers in classrooms, and average SAT scores," Cassels says.

The site also contains detailed information on area real-estate agents, interior-design professionals, home-inspection companies, pest-control firms, and general city information, including links to local chambers of commerce.

"And you can actually apply for and finalize a mortgage online through our mortgage center, E-LOAN," Cassels says. "If you select a house, you can pull up the mortgage calculator to see if you qualify. Beyond that, you can use the mortgage center to actually go through the entire mortgage application and approval process."

Adds Cassels: "We were one of the very first real-estate sites on the Web, starting in 1994. We are now getting 25,000 visitors a day and more than 100,000 property views."

Keeping In Touch

Franchisor Mail Boxes Etc. has embraced the Internet for communications within its system and for providing services to its customers. Jim Sleeper, who owns an MBE store in Carmel, Calif., says that what he likes most about the company's Web site (www.mbe.com) is that a customer can go directly to any local store's home page to find its location, hours of operation, "and the whole ballgame."

Sleeper explains: "Each individual store is able to tailor-make its home page to show the special things it offers that other stores may not. We have gotten business through that. It's kind of amazing to me, but we've actually rented mailboxes through that page."

He also notes that through the company's electronic-mail network, called the MBE Network, franchisees can communicate among themselves and with corporate headquarters.

A "chat room" on the site enables franchisees to discuss their problems and help one another.

"Corporate headquarters downloads a lot of information to us, including the monthly 'Notes and News' with articles of interest to franchisees," Sleeper says.

Franchisees are able to order supplies over the system and locate centers throughout the world. But the biggest impact that technology is having on MBE is in customer service. "What we're trying to do in our stores right now is to get them

"We also use our computers as rentals. People come in here and use computers for all sorts of things."

Sleeper's store has been MBE's worldwide leader in sales for the past three years, he says. All in all, he considers the computer-rental stations, Internet connections, and e-mail services an important part of his franchise's success story.

Tom Herskowitz, MBE's executive vice president, says the company is making a big push to update the computer facilities in its 3,000 stores. "A lot of the stores have computers, but now we're providing them with a computer that has a credit-card swipe so it can be used unattended," he says. "That way, it can be available in a store's 24-hour lobby."

The machines will be loaded with the latest software so customers can make a slide presentation, work on a spreadsheet, or prepare a text document, Herskowitz says.

"We have an ongoing project to bundle the computers with a fax and a copier. We are selling this to hotels, travel centers, convention centers, and places like that along with MBE Business Express, a phone with an automatic dial-through to the nearest MBE center. Customers can use this phone to make arrangements for packaging, shipping, color copying, binding, and so forth," he says. "This can be put together as a kiosk or a stand-alone unit."

Something For The Home

Herskowitz says that MBE also is in negotiations with a national Internet-service provider to bring to market a co-branded Internet-access service targeted to customers operating out of their own small offices or home offices.

MBE was acquired as a wholly owned subsidiary by Washington, D.C.-based U.S. Office Products Co. last year. "While we sell some office products now, we plan to expand this and are in the process of rolling out an office-products module to use technology to allow customers to come in and order office products through our MBE stores," says Herskowitz.

The company also is planning to connect all of its stores through a high-speed satellite connection, Herskowitz says.

Because of all this high-tech innovation, he adds, "We are in a great position to become the physical pipeline to the virtual world."

Whatever that virtual world turns out to be, it seems clear that the franchising community will be an active player in it. **18**



PHOTO: MIKE CLEMMER

An order for \$3,500 in sandwiches was received by Steak-Out franchisee John Brewer as a result of his outlet's presence on an Internet search site.

set up with computers so that customers can come in and access the Internet, open e-mail accounts, and print out messages," Sleeper says.

"A person [without an Internet-service provider] can come in and set up an e-mail account right in our store," he says. "We'll access your e-mail for you if you want and let you know when you have a message—just like we'd handle a fax coming in for you. The e-mail address is free. You just pay when you use it."

Free-Spirited Enterprise

By Michael Barrier

Master Of The Cult Cartoon

John Kricfalusi is one of those people with a truly awesome talent: Even though he's 42, he knows instinctively what 10-year-old boys will think is really funny. Suffice it to say that Kricfalusi—like most 10-year-old boys—never met a bodily function, a rude noise, or a television commercial that wasn't a rich source of comic inspiration, in his case for animated cartoons. The TV series "Ren and Stimpy" is his most famous creation.

Kricfalusi had been drawing for a living in Hollywood TV-cartoon studios for about 10 years when he established his own company, Spümcø, in 1989. Two years later, "Ren and Stimpy" debuted on the Nickelodeon cable network, introducing a deranged Chihuahua and his dimwitted cat companion to an unprepared world. The show quickly reached beyond its child audience to become a cult favorite, among college students in particular.

Nickelodeon, which owns the characters Ren and Stimpy, fired Kricfalusi from the series in 1992, complaining he was slow in making new episodes. There were other strains, too; hard as it may be to believe, considering what *did* get on the air, one Kricfalusi episode was completely suppressed.

Kricfalusi has never been comfortable in the world of TV cartoons anyway. "I

don't think I'm made for the big corporate entertainment business," he says. "I think the last thing on their minds is entertaining the audience."

Kricfalusi still gets offers from networks and movie studios, he says, but always with unacceptable conditions attached. They want to buy his characters outright, for

Then came the chance to make online, interactive cartoons.

"Microsoft Network called us up one day," Kricfalusi says, "and said, 'Hey, want to make cartoons on the Web?' We said, 'Yeah.'"

Kricfalusi has made cartoons for Microsoft that are like his "Ren and Stimpy" cartoons, only more so. The principal

character is Cigarettes the Cat. In one episode a hapless dog introduces a disconnected man's leg as his "fiancee," and another dog denounces the leg as a gold-digger.

So far, though, those cartoons have not been offered on the World Wide Web—they're casualties of Microsoft's decision to downplay entertainment as a major element in its network.

Kricfalusi's principal venue now is Spümcø's own Web site,

www.spumco.com, where he is offering short cartoons (parental guidance suggested) starring George Liquor and Jimmy.

To judge from the electronic mail that Kricfalusi is receiving, the cartoons are winning devoted adult viewers, just as "Ren and Stimpy" did. One correspondent praised their visual style but added, "The story, however, I found a bit sickening here and there." ("That's just a bonus," Kricfalusi says.)

Despite the computer's limitations as a vehicle for cartoons or any other kind of film, the animation in the Spümcø Web

cartoons approaches TV animation in its freedom of movement. There actually aren't that many drawings involved, Kricfalusi says; instead, members of his dozen-person staff manipulate a limited number of drawings in the

computer. "It looks like there's more animation than there actually is," he says.

The challenge for Kricfalusi, as for other people who have gone into business on the Internet, is to figure out how to make a profit from it.

At least, he says, "Web animation is a lot cheaper" than TV animation, "so you lose less money." It's cheaper not just for technological reasons, he adds, but also because "you're not doing it for executives who make you change things 50 times."

The George Liquor "show" has attracted a few sponsors, but the free cartoon is really a loss leader; Kricfalusi expects that it will lure customers who will pay to see other cartoons.

"When we have an audience," he says, "we'll leave about four weeks on at a time, and we'll start taking [earlier installments] off."

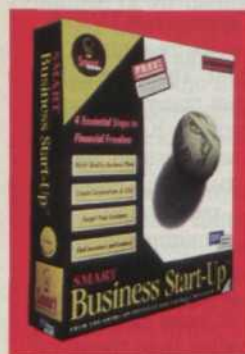
"A few months later, we'll package them as a movie and sell them directly online, where you download it," or as a CD-ROM or a digital videodisc or some other interactive technology.

If Spümcø finally establishes itself firmly as an Internet-based company, Kricfalusi will cheerfully leave such business concerns to others.

"All I really want to do," he says, "is draw funny pictures"—the kind, presumably, that 10-year-old boys will really like.



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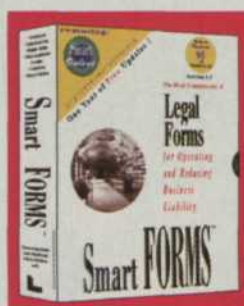
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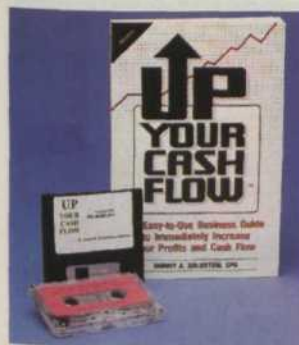


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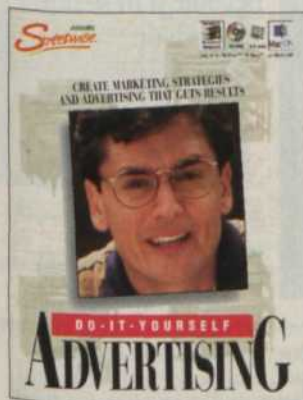


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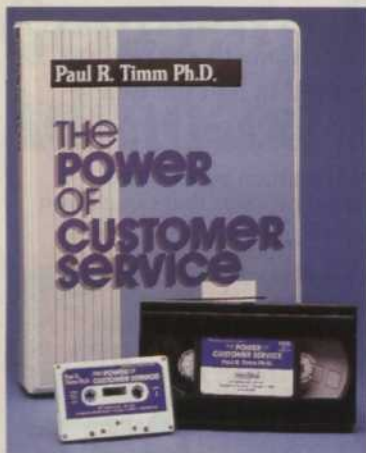


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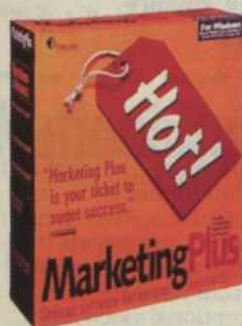
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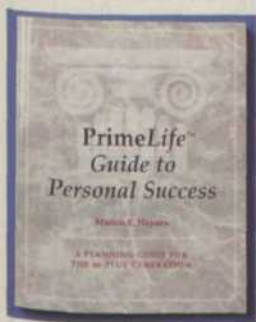
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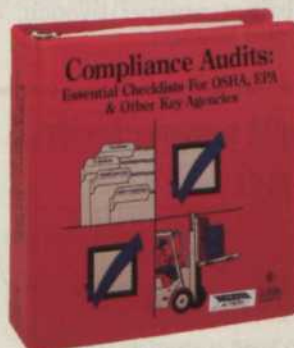


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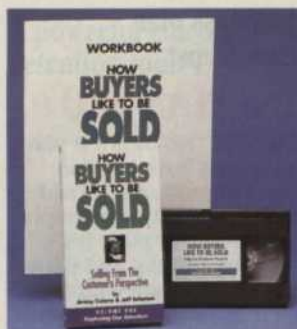
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Making It

Growing businesses share their experiences in creating and marketing new products and services.

Holding The Right Cards

By Carla Goodman

Business revenues were sliding into recession for graphic designer Ove Nordenhok and his wife, artist Nancy Nordenhok, in the mid-1980s when a reindeer led them out of the woods.

The reindeer they designed for their holiday greeting card one year delighted thousands who received it and inspired a line of award-winning cards. The cards now account for half of the \$400,000 annual revenues of Nordenhok Design, Inc., the couple's business in San Clemente, Calif.

Swedish-born Ove, 58, sketched his reindeer 12 years ago as the focal point of a holiday card to send to clients. They included institutions, real-estate companies, hospitals, and nonprofit associations for which he designed brochures, logos, and other printed materials. He created a card with a string of die-cut, all-white reindeer, with a red-nosed one in the lead.

"Our phone rang off the hook with people saying how much they liked the card," recalls Ove. Many recipients displayed it long after the holidays, and several asked Ove to reprint the card so they could send it to their clients the next holiday season.

The reindeer's timing was fortuitous for Nordenhok Design. The coming late-1980s recession would all but eliminate Nancy's side of the business—retail-advertising design—and would cut deeply into Ove's corporate-design revenues. Nancy mailed a sample of the reindeer card to several high-end catalog companies. When large orders came from Neiman Marcus and others, the couple was off and running with their "Stand-Up Fold-Out Card" line.

At the 1988 International Stationery Show in New York City, the highly competitive greeting-card industry's

largest trade show, wholesale buyers and fellow exhibitors were drawn to what would become the Nordenhoks' signature statement: multiple, die-cut patterns of playful figures printed in a rainbow of colors.

Over the years, the couple's "Bell-Ringing Santas," "A Whole Herd of Reindeer," "Dancers of the World," and other cards have won them 10 Louie awards (the greeting-card industry's equivalent of the Oscars) at the trade show as best in their card category. Their "Snow Birds," a three-dimensional flock of birds on a crimson ribbon against a star-studded sky, was runner-up for overall best of show in 1994.

Over time, the Nordenhoks have adapted several of their holiday designs to a small selection of occasional cards.

Design work for new greeting and occasional cards starts soon after the year-end holidays. The work is done in a large, sun-filtered studio in the Nordenhoks' home. There, Ove makes final editing changes in the firm's catalog, which is printed and mailed in July to sales representatives and previous customers.

"We generally introduce four or five new designs each year," says Ove.

A new design for the 1998 holiday season is a white, die-cut envelope shaped as a tree. Tucked inside is a narrower, longer version of their standard-size holiday card. "Many people use our cards to decorate their Christmas trees," says Nancy, 53, "so we're introducing this card called 'Garland of Greeting.' It will expand to about 3 feet to nicely decorate a tree limb."

The Nordenhoks don't take chances by guessing what will sell. "We don't print our cards on specu-

A string of reindeer transported Ove and Nancy Nordenhok's design firm to a new niche in the greeting-card business.



lation," says Ove. "They're too costly to produce and then sit on our warehouse floor." In early March, when large catalog companies plan their holiday lineups, Nancy sends computer-generated, hand-cut design prototypes to test response. "If we have a card embraced by a major client like Gump's," says Nancy, referring to the San Francisco department store and catalog company, "we know others will like it."

What retail customers like—and purchase at \$3.50 or more per card—are the in-

tricate designs, which are produced through an expensive and painstakingly accurate tool-and-die cutting process. A tool and die for a single design can take three weeks to manufacture. The end product is the couple's ace in an unpredictable market, in which small card manufacturers are struggling as consumers turn toward designing their own cards on home computers.

"We're staying in this niche," says Ove. "No computer can touch it, and you can't expect to find someone cutting out these

intricate designs with a pair of scissors. Larger card manufacturers won't make this kind of multifold card. There's not enough profit margin in it."

Money isn't the only motivation for the Nordenhoks. "Our customers consider our cards keepsakes," says Nancy. "We've been a part of making people happy. That's the best reward."

Carla Goodman is a free-lance writer in Sacramento, Calif.

Floating A Novel Idea

By Roberta Maynard

For Charles G. Rogers Jr., it was an essential entrepreneurial question: "Who says life rafts have to be octagonal?" His answer to his own question would lead him to change the nature of his business.

The former airline engineer had spent 15 years repairing the standard octagonal rafts used by the aviation and boating industries. He became convinced that a square-cornered design would be better. Four seams instead of eight would mean less material and fewer vulnerable joints. The raft would cost less to make, would be lighter and more compact, yet would have the same carrying capacity.

With that vision in 1985, Charles and his wife, Donna, became manufacturers. In their Hollywood, Fla., repair facility, the company, Survival Products, Inc., began making four- and nine-person rafts for use in private boats and planes.

The biggest challenge for this tiny family firm with its unconventional product and "zero advertising budget," recalls Donna—who handles marketing—was competing with the big raft manufacturers. So she studied where they were advertising and found a way to follow. "I'd see new-product areas in magazines," she says. "I'd tell them about the product and get free write-ups." That exposure generated sales, which led to an advertising budget. In the years since, the firm has run ads in 50 marine and aviation publications.

In their first year in business, Donna ventured into international waters. Through state and federal com-

merce-development programs, she sent marketing materials to overseas trade shows. Leads poured in, and overseas business now accounts for about 20 percent of Survival's sales.

Diversification has helped keep the business healthy, says Charles. For ex-

plus inflatable products, which account for about 20 percent of total annual revenues of about \$2 million.

Two of the Rogerses' three daughters work for the firm. "We're a no-frills operation," says Charles, seated in a work area he shares with Donna and the daughters. Outside the door are the repair and manufacturing areas, and to the rear are long, wooden tables where employees glue together pieces of neoprene-coated nylon into finished rafts.

The Rogerses recently increased prices 10 percent—the first price change in 10 years. The four-person raft, which weighs only 12 pounds and folds up to a compact 4 by 12 by 14 inches, has only now edged above \$1,000.

The couple's 35-year marriage and their business partnership have worked because, as Charles puts it, "we stay out of each other's way." Donna handles the people side; he handles the technical side. They've been buffeted by weather a few times, but generally they've enjoyed steady success since starting their repair business nearly 30 years ago.

Two years ago, Survival Products was named a state honoree in the Blue Chip Enterprise Initiative, a program that recognizes companies that have surmounted significant challenges. The program is sponsored by Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; and *Nation's Business*.

In business, supplying a needed product or service is essential, says Charles, but the keys to Survival's success are perseverance, common sense, tenacity, and a dedication to customers and employees.

Charles and Donna Rogers have achieved success and satisfaction in business—all because, for them, merely staying afloat wasn't good enough. And because Charles asked, "Why an octagon?"

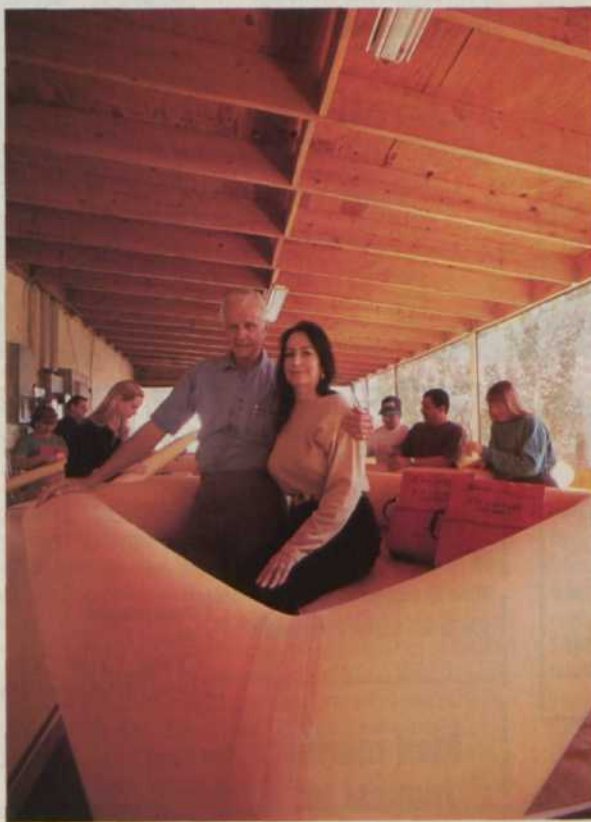


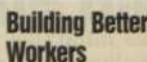
PHOTO: GREGG LEBESKUP

By asking the right question, Charles and Donna Rogers gave a new shape to life-raft manufacturing.

ample, he says, in 1990, "when boating fell off" because of the since-repealed luxury tax on sales of yachts, "we had aviation." The company also sells sur-

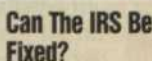
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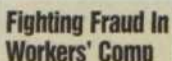
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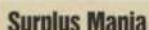
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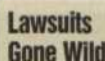
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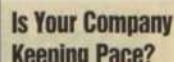
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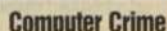
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An Enabling Work Force

By Nancy Bearden Henderson

Fourteen years ago, when a social-services worker asked David Morris and his father, Saul, to hire several mentally challenged people, they balked at the idea. The Morrisises own Habitat International Inc., a Rossville, Ga., manufacturer of grasslike indoor-outdoor carpet. Some employees of Habitat, which was three years old at the time, were refugees from Cambodia, Bosnia, and Laos and did not speak English. But hiring someone with a condition such as Down's syndrome seemed too chancy to the Morrisises.

Before long, however, David Morris reconsidered, and he talked his dad into taking the risk. "At first I thought David was really barking up the wrong tree," says Saul, the firm's chairman and CEO. "I didn't think it would work."

The first group of eight mentally disabled workers came in with their job coach from the social-services agency and went straight to work boxing mats.

"Two weeks later, my employees came to me and said, 'Why can't we hire more people like this, who care, do their work with pride, and smile?'" recalls David, Habitat's president. "From that day on, we never looked back."

Today, 75 percent of Habitat's employees have some kind of disability. People with schizophrenia drive forklifts next to those with autism or cerebral palsy. Recovering alcoholics glue carpet backing alongside co-workers who have suffered severe head injuries in car accidents. The Morrisises are convinced that their business, which grossed \$7 million in 1997 and is expected to reach \$10 million this year, is flourishing because of—not in spite of—its hard-working employees with disabilities.

The company was launched in suburban Chattanooga, Tenn., in 1981 when David, a free-spirited artist who says he had always "hated factories," teamed up with his father, who quit his job as president of a large carpet mill, to start a new artificial-turf venture. That risk paid off, too.

"My father was the more conservative, suit-and-tie businessman, and I was the radical young person who wanted to do art-work and everything else except run a factory," says David, a painter and metal sculptor. "But we found middle ground."

During peak production, up to 70 employees now make approximately 100

work-study programs. All earn minimum wage or above, not the \$1 to \$2 per hour they would make through state-funded programs for people with disabilities.

Hiring special-needs workers sometimes requires an extra investment, such as modifying a jig tool device or allowing more time for newcomers to adjust. But the payoff far outweighs the cost, says David. "We have practically zero absenteeism and very little turnover," he says. The disabled workers' pride in their jobs fosters teamwork, he says, and their self-esteem is enhanced.

Taxpayers benefit, too, David adds, be-



PHOTO: STEPHEN ALVAREZ

Entrepreneurs David and Saul Morris gather with their carpet firm's employees, some of whom are mentally challenged but among the most capable and reliable on the payroll.

types of mats and carpets, practice putting greens, and specialty items for customers such as Wal-Mart and Lowe's. The company has expanded nine times.

In 1986, the Morrisises moved their plant into a 50,000-square-foot former chicken hatchery in Rossville and filled it with playful steel sculptures and colorful murals created by David and Habitat employees.

Six years ago, Habitat became an authorized licensee for the Spalding sporting-goods company, and it is now widely known as Habitat/Spalding because every product it makes bears the Spalding name. (Spalding has no ownership interest in Habitat.)

The company is not a formal training center for the disabled, but employees are often referred by nonprofit agencies. Habitat frequently hires special-education students who have graduated from high school and have participated in the company's

cause his full-time workers with disabilities no longer rely on government aid. Moreover, he says, Habitat's effort is recognized by the firm's customers and by the community. David was selected to carry the Olympic torch on a section of its journey to the 1996 Summer Games in Atlanta. A year later, Habitat received the Catoosa County Chamber of Commerce's O. Wayne Rollins Entrepreneur Award for its strong support of special-needs workers. (Rollins founded the Orkin pest-control company.)

David is now helping human-resources managers at other firms set up their own programs to hire people with disabilities.

"The biggest thing that a business person needs to understand is that, bottom line, it will not hurt your insurance or workers' comp," he says. "Your production will grow, you'll have a happier team, and you will make more money."

Nancy Bearden Henderson is a freelance writer in Chattanooga, Tenn.

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Direct Line

Answers to our readers' questions about starting and running their businesses.

By Stephen Blakely

GETTING STARTED

A Healthy Interest In Transcribing

I'm interested in starting a medical transcription business operating from my home. Where can I find information on getting started, finding clients, managing money, and other basics?
J.G., Jersey City, N.J.

The American Association for Medical Transcription (AAMT), based in Modesto, Calif., represents professional medical transcribers. Call the AAMT at 1-800-982-2182 or check its World Wide Web site, www.aamt.org.

The group offers a free career packet and various member services, including professional certification and training. Membership dues start at \$100 annually for individuals and are higher for transcription firms.

The Medical Transcription Industry Alliance in Seattle represents medical transcription companies. Annual membership starts at \$100; call 1-800-543-6842 for information.

The Association of Business Support Services International (ABSSI), formerly the National Association of Secretarial Services, based in Yorba Linda, Calif., has many members who offer medical transcription services; call (714) 282-9398 for information. The organization offers various sector-specific publications for medical transcription businesses, including books and brochures, as well as consultation services for new businesses. Dues are \$120 a year.

Among the professional publications for this sector are the *Journal of the AAMT*, which comes with membership in the organization, and *MT Monthly*, a newsletter published in Kearney, Mo., and available for \$48 a year; call 1-800-951-5559 or visit www.mtmontly.com for subscription information.

A useful site on the World Wide Web is MT Daily (www.mtdaily.com), a network-

ing center sponsored by *MT Monthly* and a number of other businesses in the medical transcription field.

MTs, as they're called in the trade, are responsible for accurately and swiftly transcribing medical records dictated by doctors and others, including history and physical reports, clinic notes, office and consultation notes, discharge summaries, letters, and a wide variety of other medical reports and evaluations.

The job requires the use of dictation equipment (tape, digital, or voice-file sys-

tem) for good liability insurance. "The potential liability of risk for making an error and being sued [is] obviously higher" for MTs than for office secretaries, says Smith. Transcribing the wrong medical term, procedure, or drug can have dire consequences for the patient, doctor, and transcriber, she notes.

Schools Of Thought For An Aspiring Retailer

I am exploring the possibility of opening a store carrying supplies for schools and teachers. Where can I find information and resources?

K.A., Fayetteville, N.C.

One group to contact is the National School Supply and Equipment Association in Silver Spring, Md., at 1-800-395-5550. The association has a World Wide Web site at www.nsssa.org.

The group's membership includes nearly 1,600 dealers and manufacturers of school supplies and equipment, educational technology products, and instructional materials. Membership starts at \$150 a year and goes up depending on sales volume.

Another organization is the Educational Dealers and Suppliers Association International in Costa Mesa, Calif. Annual membership fees are \$115 for equipment dealers and \$250 for distributors. Call (714) 642-3986 for more information.

Big Plans For A Store Catering To Small Women

I'm interested in opening a clothing store for petite ladies, sizes 6 and under. Where can I find suppliers for these smaller sizes?
J.M., Las Vegas

Try contacting the American Fashion Association in Dallas at (214) 631-0821. Its members include wholesale sales representatives of women and children's clothing; membership is \$40 a year.

Another organization is the Ladies Apparel Contractors Association, based in New York City. Most of its members are in that area. Membership is \$1,020 annually; call (212) 564-6161 for more information.



ILLUSTRATION: MARTHA VAUGHAN

tems), earphones, foot-pedal controls, and a word-processing computer program.

Experienced MTs can expect to earn \$15 to \$40 an hour, according to MT Daily, but getting into this business requires a lot of time and investment. MTs must learn highly technical medical vocabulary and formats, which are constantly changing and require professional training and continuing education. MTs typically must have several medical dictionaries on hand to double-check terms and pharmaceutical names.

Most MTs work in doctors' offices, clinics, hospitals, and transcription-service centers. They can work from home but usually only after they have had several years of transcription experience in an office or hospital, according to Lynette Smith, executive director of ABSSI.

Self-employed MTs should expect to pay

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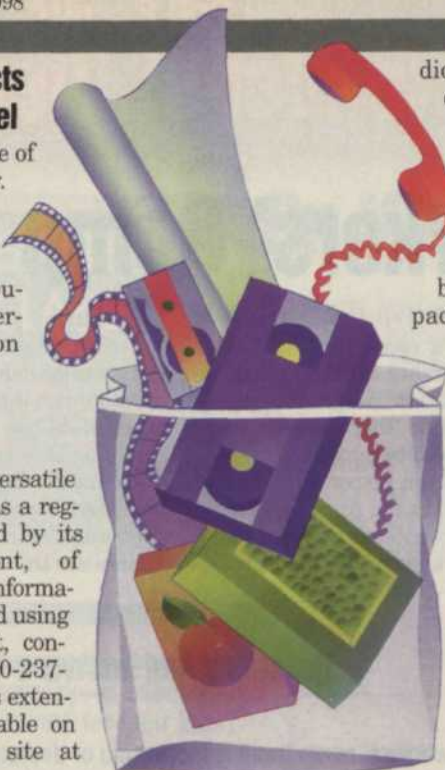
An Idea For Products Has A Polyester Feel

I have an idea for a line of products using Mylar. Where can I find information about working with the material and distributors? I'd also be interested in information about obtaining a patent.

M.G., San Antonio

Mylar is an extremely versatile polyester film as well as a registered trademark held by its manufacturer, DuPont, of Wilmington, Del. For information about obtaining and using the company's product, contact DuPont at 1-800-237-4357. The company has extensive information available on its World Wide Web site at www.dupont.com.

Mylar's tongue-twisting chemical name is polyethylene terephthalate, more commonly known as PET. It is used in a wide range of industrial and consumer products, including au-



diotapes, videotapes, computer tapes, films used in graphic arts and printing, sailboat sails, telephone and electrical cable wires, boil-in-a-bag food packages, and medical and hardware seals.

About 20 chemical companies manufacture PET in the United States; you can locate them through the Society of the Plastics Industry in Washington, D.C., the major trade association serving that business sector. Call the organization at (202) 974-5200 or visit

its Web site at www.socplas.org.

If you want to obtain a patent on an invention manufactured out of PET, contact the U.S. Patent and Trademark

Office in Washington at 1-800-786-9199 or through an electronic-mail link on the Web at www.uspto.gov.

Be advised, however, that getting a patent is neither easy nor cheap. A large number of patent applications are submitted each year, and they go through an exhaustive, years-long review process.

The Patent and Trademark Office strongly recommends that applicants hire one of the 17,000 patent attorneys registered to practice before the agency. A roster is available on the office's Web site or by calling the office's toll-free number.

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April Poll Results Readers' Views

Workers' Comp Fraud

The majority of *Nation's Business* readers responding to a recent poll said they perceive an increase in fraud affecting workers' compensation programs, which pay employees while they recover from work-related illnesses or injuries.

Three-fourths of the respondents to the Where I Stand poll in the April issue indicated they had encountered workers' comp fraud in the workplace. Of that group,

three-fourths said a worker was at least one of the persons involved in the fraud.

Insurance-industry sources say fraud in the state-run workers' comp programs costs about \$5 billion a year. Most respondents said state laws aren't tough enough to deter such fraud. Efforts to combat it have increased in recent years, however. (See "Fighting Fraud In Workers' Comp," April.)

Here are the complete results of the poll:

Questions And Answers

Do you believe workers' comp fraud is increasing or decreasing?

Increasing	71%
Decreasing	11
No recent change	18

Do you think your state is tough enough on workers' comp fraud to deter it?

Yes	12%
No	88

Have you ever encountered workers' comp fraud in your workplace?

Yes	74%
No	26

If so, who perpetrated the fraud? (Check all that apply.)

Worker	74%
Medical provider	24
Lawyer	20
Other	4
Not applicable	19

If you answered "yes" to Question 3, what did you do when you discovered it? (Check all that apply.)

Ignored it	6%
Called the insurance company	74
Discharged the employee	6
Took other action	14

What steps have you taken to reduce workers' comp fraud?

Talked to the insurance company	50%
Talked to employees as a group	15
Distributed educational materials	7
Took other steps	13
Took no steps	15

Has your state passed any workers' comp reform law in the past three years?

Yes	41%
No	19
Don't know	40

Where I Stand



On Worker Training

American businesses face a shortage of properly trained workers, and the problem is hitting small companies particularly hard. As a result, companies are looking for creative ways to attract workers today and develop them for tomorrow. (See the cover story, Page 18.) These questions seek your views on training and keeping a well-prepared work force.

Results of this poll will be published in the August issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

- 1** Are most of your employees adequately trained for their jobs?
1. Yes
 2. No

- 4** Have any employees left your firm because you were unable to provide the training they wanted?
1. Yes
 2. No
 3. Don't know

- 2** Are you willing to spend at least 1 percent of your payroll, roughly the average among companies, for employee training?
1. Yes, I already do
 2. Yes, I plan to do so
 3. No

- 5** Have you ever taken specialized training during your career to upgrade your skills or prepare for a new position or job function?
1. Yes
 2. No
 3. No, but I plan to do so

- 3** Have a significant number of your employees asked you to provide or pay for training?
1. Yes
 2. No

- 6** Where do you go, or where would you go, for off-site training for your workers? (Check all that apply.)
1. Manufacturer's facility
 2. Local training schools
 3. Community colleges
 4. Other
 5. Won't go off-site

Send Your Response Today!

Editorial

A Two-Tiered Approach To Tax Reform

The nation is in the early stages of a historic debate on whether fundamental changes should be made in the way the federal government collects taxes.

This discussion centers on proposals for a flat-percentage income tax without deductions or exemptions, scrapping the income tax in favor of a national sales or value-added tax, and allowing workers to establish their own retirement accounts in lieu of paying Social Security taxes.

Issues of such import deserve extensive discussion. And their complexities assure there will be no early consensus.

While that debate evolves, Congress should continue to address the many inequities and anti-growth features of the present system, which is particularly harsh on small businesses.

That impact is the direct result of the extent to which the federal government has increased its claim on the nation's resources.

Federal tax collections in fiscal 1999, which begins Oct. 1, 1998, would equal 20.1 percent of the gross domestic product under the budget President Clinton has submitted to Congress.

The last time Washington's demand on the national economy exceeded 20 percent occurred in 1944 and 1945, when the nation was supporting military forces and buying weapons for a global war.

As recently as 1984, federal revenues were 17.5 percent of the GDP. The 1998-99 figure represents a 15 percent increase over 1984 in Washington's share of an economy expected to reach \$8.7 trillion next year. The percentage eases somewhat in the following years but is still forecast to be 19.6 percent by 2004.

It needs to be rolled back much further, business believes. "The overall tax burden on American families and small businesses is too high ... and must be lowered," the U.S. Chamber of Commerce told Congress recently. That

Rising Tax Rates

These are the maximum statutory rates for federal individual income taxes. Effective rates could be higher where some deductions and exemptions are disallowed.



SOURCE: JOINT COMMITTEE ON TAXATION, U.S. CONGRESS

message was delivered in testimony to the House Committee on Small Business by Martin Regalia, vice president and chief economist of the Chamber.

Noting that the maximum statutory tax rate had dropped to 28 percent in 1986 under President Reagan, Regalia said that it has since climbed to 39.6 percent. He pointed out that phaseouts of deductions and exemptions could mean higher rates for some taxpayers.

Regalia told the committee: "These high individual tax rates apply to the income of many small businesses, including sole proprietorships, partnerships, S corporations, and limited-liability companies. High marginal tax rates create a disincentive for small-business owners to earn additional income since they know a greater percent of their incomes will go to the federal government."

The Chamber economist also urged Congress to ease the burden of the corporate and Social Security/Medicare taxes on small firms, to repeal or at least reform

the estate-and-gift tax and the alternative minimum tax, and to simplify rules on classification of workers as employees or independent contractors, an issue that can have major tax consequences for business owners.

At the same time, Regalia expressed opposition to Clinton budget proposals to increase business taxes to finance added spending.

"Taxes," Regalia told the committee, "should be levied in ways that minimize their negative impact on taxpayers, economic growth, and the international competitiveness of American business."

Legislative proposals that offer here-and-now solutions to here-and-now problems should be approved by Congress, signed by the president, and implemented promptly. The larger issues of systemic changes can then be explored, as they should be, at length and in depth.

Today's inflight meal: your competitor's lunch.

Hear that delicious sizzle? It's the sound of the CitationJet, searing the sky at speeds 150 mph faster than its turboprop competitor. And yes, that aroma is the smell of success.

The CitationJet cruises faster, climbs quicker, soars higher, travels farther, and gets you in and out of shorter runways than the old-technology turboprop. Yet the aerodynamically advanced CitationJet actually costs *less* to operate. It's also easier to fly. The CitationJet is certified for single-pilot operation.

If you need an aircraft that can get you there before your competitor, and get you back home for dinner, contact Roger Whyte, Senior Vice President, Sales and Marketing, at 1-800-4-CESSNA. And bon appétit.





HOW THE AMERICAN DREAM GETS DELIVERED.

THE 1998 CHEVY COMMERCIAL CUTAWAY VAN HAS A RUGGED FULL-FRAME CHASSIS AND A WHOLE LOT MORE TO BUILD YOUR BUSINESS ON. If successfully running a business is your American dream, then the 1998 Chevy Commercial Cutaway Van may be just the vehicle to help make it happen. Being part of the family of the most dependable, longest-lasting trucks; its structural support is a full-length steel-frame chassis design that won't quit. With a base payload of 5,310 lbs., you can count on it day after day to more than shoulder the weight of your commercial "cube" body and what's inside.

The workhorse of the 1998 Commercial Cutaway Van is the power of the Vortec™ engine, which is so durable it can go up to 100,000 miles before its first scheduled tune-up†. And there's even a 6.5 Liter Turbocharged Diesel V8 available. All in all, it's like having an efficient, hardworking partner who will stay with your company for years, helping you achieve the American dream.

**CALL 1-800-950-2438 FOR
COMMERCIAL CUTAWAY INFORMATION
OR VISIT www.chevrolet.com.**

COMMERCIAL
SPECIALTY VEHICLES



LIKE A ROCK

*Dependability based on longevity: 1981-1997 full-line light-duty truck company registrations. Excludes other GM divisions.
†Maintenance needs vary with different uses and driving conditions. See the owner's manual for more information. ©1997 GM Corp. Buckle up, America!

THE BUSINESS ADVOCATE

SUPPLEMENT TO **Nation's Business** JUNE 1998

PUBLISHED BY U.S. CHAMBER OF COMMERCE
www.uschamber.org

WHAT'S HOT



Our New Look

This issue marks the launch of a redesigned *Business Advocate* in a shorter, crisper format. The

new design will make it easier than ever for you to stay abreast of the U.S. Chamber's efforts on your behalf.

Auto-Insurance Action



Automobile-insurance premiums could drop significantly under Chamber-backed bills moving through Congress. Call your lawmakers now to support this initiative. See Page 3A.

Economic Heavyweights



It was a first for the Chamber: hosting the spring meeting of the World Economic Forum, a who's who of international business, political, and academic leaders. And it won't be the last. The National Chamber Foundation is back in action. See Page 2A.

Environmental Offensive



Chamber President and CEO Thomas J. Donohue is challenging the Clinton administration and its

Environmental Protection Agency on policies and rules he says will do more to hurt than help the well-being of Americans. See Page 4A.

Action On Taxes Chamber Is Working For You

Winning tax relief for business is a major priority of the U.S. Chamber of Commerce as Congress begins crafting a fiscal 1999 budget.

Americans now pay on average 20 percent of their income annually in federal income taxes, according to government figures. When all federal, state, and local levies are combined, the tax burden is between 33 and 38 percent.

"In 1997, a two-income family paid more in taxes than they paid for food, shelter, and clothing combined," noted Bruce Josten, the Chamber's executive vice president for government affairs, at a recent tax-reform rally in Washington.

The Chamber is encouraging overhaul of the federal tax system, which now consumes 19.8 percent of the nation's gross domestic product annually, the highest level since 1945, according to the Office of Management and Budget.

Of immediate concern, however, is extension of several tax credits due to expire June 30. They include the research-and-experimentation credit, which is based on a percentage of R&E spending over a base amount, and the Work

Opportunities Tax Credit, granted to companies that hire certain disadvantaged youth.

The Chamber is urging lawmakers to add measures to extend the credits to any legislation headed for a vote in the coming weeks.

The Chamber also pressed for approval by the House of a proposal to limit Congress' ability to raise taxes, but the number of representatives voting in favor of the measure—an amendment to the Constitution—was not enough for passage.

The vote was 238-186, short by 52 votes of the number necessary for passage. Constitutional amendments require a two-thirds vote of each house of Congress and ratification by 38 states.

The amendment the House considered would require a two-thirds vote of each house of Congress to increase taxes. Proponents of the amendment, led by Rep. Joe Barton, R-Texas, the measure's sponsor, vowed to try again next year. House Republican leaders have indicated that they will schedule a floor vote every year—around the April 15 tax-filing deadline—and the Chamber will press for

Continued On Page 2A



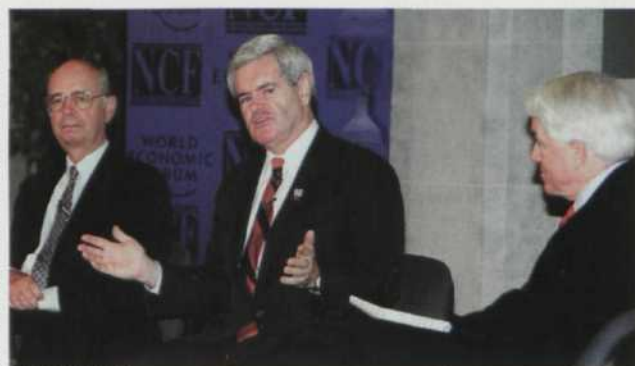
Premier Economic Group Meets At Chamber

Senior-level executives from companies that do business globally joined economists, financial analysts, scholars, and five countries' ambassadors to the United States at the U.S. Chamber in late April to discuss economic issues having possible worldwide implications.

The April 29-30 conference was the spring meeting of the World Economic Forum, a Geneva-based international foundation of business, government, academic, and media leaders. It marked

gathering for world figures whose aim is to foster business opportunities and address key global economic, social, and political issues. The April meeting was co-hosted by the revitalized National Chamber Foundation, the U.S. Chamber's public-policy research affiliate.

Thomas J. Donohue, president and CEO of the U.S. Chamber, said the foundation and the World Economic Forum will co-host an even bigger meeting in Washington next spring.



©KEN TOUCHTON

House Speaker Newt Gingrich, R-Ga., center, discusses international issues with Chamber President and CEO Thomas J. Donohue, right, and Klaus Schwab, founder and president of the World Economic Forum.

the first time the Chamber had co-sponsored a meeting of the group.

The organization's annual meeting in Davos, Switzerland, is a premier

Among those on the April program were House Speaker Newt Gingrich, R-Ga.; New Jersey Gov. Christine Todd Whitman; Deputy U.S. Treasury Secretary Larry Summers; Rep. Jim Kolbe, R-Ariz.; Pat Robertson, chairman and CEO of the Christian Broadcasting Network; and Kay Koplovitz, founder, chairman, and CEO of the USA Networks.

Topics included the year 2000 computer problems; the introduction of the euro currency; and the splintering of a free-trade coalition in Congress.

Chamber Leads Anti-Drug Campaign

Noting that drugs continue to be a scourge in the nation's communities, schools, and workplaces, the U.S. Chamber is leading the business community in a concerted effort to fight substance abuse.

Among its recent steps, the Chamber endorsed the Drug-Free Workplace Act, which would offer financial incentives and technical assistance to small businesses to create drug-free workplaces.

The bill, sponsored by Rep. Rob Portman, R-Ohio, also would provide for special training for parents to help them keep their children off drugs.

The Chamber also is backing a House resolution, sponsored by Rep. Michael Pappas, R-N.J., that calls on Americans to help eliminate illicit drugs from schools by 2000.

In addition to battling drugs, the Chamber has made fighting crime a high priority.

Tax Action



©SAL DIMARCO-BLACK STAR

The U.S. Chamber's Cecelia Adams, right, joins Gov. Christine Todd Whitman in calling for a tax-limitation amendment to the U.S. and New Jersey constitutions.

Continued From Page 1A

such legislation until it is approved.

Last year, the amendment lost by 233-190; in 1996, it was defeated on a 243-177 vote.

The Chamber is urging its members to contact their representatives about their April 22 vote. (See how your lawmaker voted on Pages 6A and 7A.)

In other action, the Chamber is pushing for inclusion of certain tax reforms for business in this year's budget bill. Priorities include repeal or further reduction of the alternative minimum tax, the capital-gains tax, and the estate and gift tax.

The Chamber also is seeking:

- Simplification of the tax rules for the treatment of U.S. firms' income derived from overseas operations.

- Clarification of worker-classification rules.

- Restructuring of the Internal Revenue Service.

- Acceleration of the timetable for allowing the self-employed to deduct 100 percent of their health-care expenses.

- Expansion of individual retirement accounts.

The Chamber is fighting proposals in President Clinton's fiscal 1999 budget that would raise business taxes by \$106 billion over five years, according to White House estimates.

A final budget bill, including a tax-cut package, is expected to be finalized in the fall.



Tell Congress To Fix Bankruptcy Law

Abuses of the nation's bankruptcy law cost American businesses billions of dollars annually, and U.S. Chamber members now have a chance to help correct this problem.

Soon the House and the Senate are

expected to consider Chamber-backed bills that would tighten the rules that govern filing for bankruptcy.

they businesses—of more than \$40 billion, according to the U.S. Administrative Office of the Courts.

The Chamber-backed legislation would make changes in the Bankruptcy Reform Act of 1978, which

made it more attractive to file under Chapter 7 of the bankruptcy law. Chapter 7 allows individuals and firms to wipe out nearly all of their debts regardless of their ability to repay. In contrast, Chapters 13 and 11 (the latter is used mostly by businesses) require that most debt be repaid over three to five years under a plan worked out by a debtor, creditors, and the courts.

The pending legislation would make it harder for individuals and businesses that have the ability to

repay debt to file for Chapter 7 bankruptcy.

Call your senators and representative at (202) 225-3121 and urge them to support the bankruptcy-reform proposals.

Auto-Insurance Bills Could Slash Costs



The U.S. Chamber is pushing for enactment of federal legislation that could reduce automobile-insurance premiums significantly.

The Auto Choice Reform Act would require states to offer drivers the option of lowering their auto-insurance premiums in exchange for waiving the right to sue for "pain and suffering" if the individuals are involved in an accident.

The legislation is sponsored by among others Sens. Mitch McConnell, R-Ky., Joseph I. Lieberman, D-Conn., and Daniel Patrick Moynihan, D-N.Y., and Reps. Richard K. Armey, R-Texas, and James P. Moran, D-Va. Under it, motorists could choose personal-protection-insurance (PPI) coverage or remain in the current system used by their state.

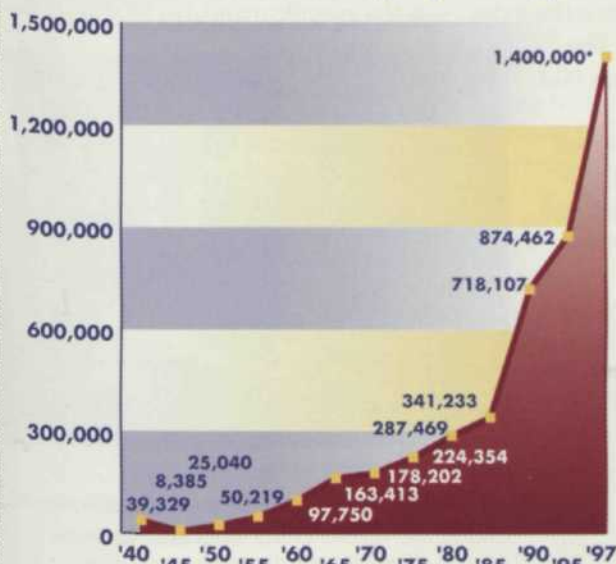
Under PPI coverage, motorists injured in auto accidents could recover only economic losses from their insurer, regardless of who caused the accident. They could sue other drivers for uncovered economic losses.

PPI coverage would cost on average 24 percent less than current coverage options, according to a study by Congress' Joint Economic Committee.

The Chamber says that the legislation could provide even greater benefits if it incorporated some product-liability protection for business from lawsuits related to motor vehicle accidents.

Call your senators and representatives and ask them to support the auto choice bills. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121.

Consumer Bankruptcy Filings



*Estimate

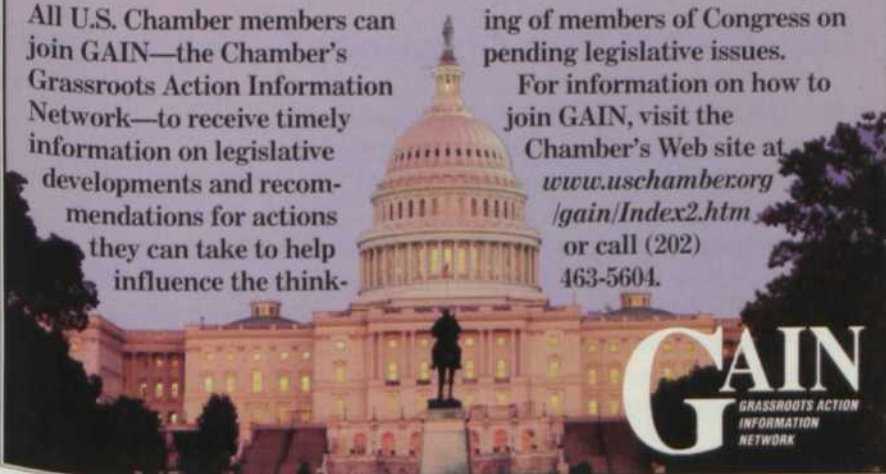
SOURCE: U.S. ADMINISTRATIVE OFFICE OF THE COURTS

Influence Congress By Joining GAIN

All U.S. Chamber members can join GAIN—the Chamber's Grassroots Action Information Network—to receive timely information on legislative developments and recommendations for actions they can take to help influence the think-

ing of members of Congress on pending legislative issues.

For information on how to join GAIN, visit the Chamber's Web site at www.uschamber.org/gain/Index2.htm or call (202) 463-5604.





Chamber Battles EPA Policies

U.S. Chamber President and CEO Thomas J. Donohue has gone on the offensive on environmental issues facing business.

In a May 5 letter to President Clinton, Donohue urged the withdrawal of a recently issued Environmental Protection Agency policy that may require businesses to clean up—beyond what current law requires—land they own in low-income areas.

He said the policy will have a "significant adverse impact on economic growth and job opportunities in low-income and minority communities."

The policy encourages lawsuits against state and local governments to force them to impose standards beyond current environmental laws on businesses operating in minority and low-income areas, said William L. Kovacs, the Chamber's vice president for environment and energy policy.

Donohue's letter was the latest salvo in an effort to highlight what business sees as problems with environmental regulations and policies. He began the offensive with a series of speeches during Earth Week, April 20-26.

Donohue urged the government to use the best science and the most effective technologies in environmental decision making.

In a related action, the Chamber endorsed legislation sponsored by Sen. John Ashcroft, R-Mo., that would bar any federal agency from using funds to implement a United Nations treaty on global climate change before it wins Senate approval. The treaty calls for drastic cuts in so-called greenhouse gases.

Confidence In Economy Rises

Results of the April Business Ballot poll show that U.S. Chamber members are confident about the economy and the outlook for their firms over the next six months.

The Business Confidence Index, a measure of firms' optimism, reached its fourth-highest level since the index was started in May 1990. The April index was 63.6; it was 60.4 in February.

Respondents also expressed their views on the budget surplus, health-care mandates, and bankruptcy reform. Following are the complete results.

What is the six-month outlook for:

■ Your firm's sales?

Up 47.6% Down 14.0%

No change 38.4%

■ Your firm's employment?

Up 35.5% Down 7.6%

No change 56.9%

■ The economy?

Up 36.7% Down 16.2%

No change 47.1%

■ Which of these options would you most prefer that Congress pursue if a federal budget surplus materializes?

Reduce the debt 58.3%

Cut taxes 30.3%

Increase spending in areas such as transportation and education to boost future economic growth 2.7%

Shore up entitlement programs such as Medicare and Social Security 8.7%

■ Do you think Congress should reject health-care mandates on companies no matter how laudable the goals may be?

Yes 61.8% No 3.9% It depends on the specific mandates 34.3%



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Tina Tabb of the U.S. Chamber's Congressional and Public Affairs Office discusses Business Ballot results with Rep. Curt Weldon, R-Pa.

■ Should bankruptcy laws be tightened to give creditors more assurance of repayment from debtors?

Yes 88.5% No 5.0% Undecided 6.5%

Be sure to respond to this month's Business Ballot, in the plastic wrapper with this newsletter and your June Nation's Business.

Candidates Win Chamber Endorsement

The U.S. Chamber has endorsed five more candidates for congressional seats in the Nov. 3 elections.

The Chamber's board of directors voted in early April to back one candidate for the Senate and four for the House. The five, listed below, are running as challengers or for open seats.

Senate: Peter Fitzgerald, R-Ill. **House of Representatives:** Judy Biggert, R-Ill.; Mark Baker, R-Ill.; Vito Fossella, R-N.Y.; and Lindwood Mercer, D-N.C.

Fossella is filling the term of former Rep. Susan Molinari, R-N.Y., who retired.

The Chamber earlier endorsed 224 lawmakers. The list was published in the May *Business Advocate*. Future endorsements will be published in upcoming issues.

For more information about the Chamber's political program, call Doug Loon, director of congressional and public affairs, at (202) 463-5600.



LETTER FROM THE COALITION

Dear Business Person:

The U.S. Chamber and dozens of other organizations joined forces in 1996 to form The Coalition: Americans Working for Real Change. Our mission was to counter the attempt of organized labor and its allies to discredit certain pro-business members of the 105th Congress. Those forces spent at least \$35 million in the effort.

The Coalition, with voluntary contributions from our members and from several dozen other national trade associations, raised \$5 million and ran 71 television and radio ads in 37 key congressional districts. Our ads ran more than 12,000 times in targeted House districts, neutralizing the AFL-CIO's demagoguery.

We mailed more than 2 million report cards on members of Congress so that the public would know lawmakers' real voting records, not the distorted characterizations made by big labor. Our aggressive press operation worked overtime, resulting in more than 900 newspaper articles and countless TV and radio talk show appearances.

And because all the administrative costs of Coalition operations were borne by association participants, we were able to commit nearly 100 percent of our contributions to getting our message out. We made a difference!

Labor On The Attack Again

But it is clear that labor's efforts in 1996 were only the opening volley in a longer battle for the future of this country. John J. Sweeney, president of the AFL-CIO, recently announced a new assessment on union members to pay for another multimillion-dollar effort to achieve what big labor failed to do in 1996—create an anti-business Congress.

The business community must counter Sweeney's ongoing efforts with a well-funded response.

The stakes are high. If we do nothing, we could see:

- Substantial increases in taxes on business.
- An end to efforts to enact product-liability and tort reforms.
- Revival of national health care with mandated employer coverages.
- Consistent and continued increases in the minimum wage.
- Blacklisting and debarment of federal contractors who don't meet various criteria espoused by organized labor.
- An end to fast-track trade-negotiating authority and other measures to promote free and fair trade.

We hope you will make as generous a contribution as you can to support our forthcoming nationwide issue-advocacy efforts. (Please fill out the coupon below.) Contributions can be as large as you wish; there are no limits by rule, regulation, or law.

Efforts Will Be Nonpartisan

As was the case in 1996, we will not support or oppose any political party or the election of any candidate for office.

Our efforts will be nonpartisan issue advocacy only. As a result, we will not be restricted by Federal Election Commission contribution rules—although contributions to this effort are not tax-deductible.

Please send your check, payable to The Coalition, to Bruce Josten, 1615 H Street, N.W., Washington, D.C. 20062-2000.

*Executive Secretariat, The Coalition,
and Executive Vice President, U.S. Chamber*

STOP THE UNIONS SUPPORT THE COALITION

☐ **YES.** I will help The Coalition's efforts to counter the union bosses' campaign to take America back to higher taxes, greater spending, bigger deficits, more regulation, and less economic freedom and growth. (Clip and return to the address in the last paragraph above.)

My check—made payable to The Coalition—is enclosed for:

☐ \$5,000 ☐ \$2,500 ☐ \$1,000 ☐ \$500 ☐ \$300 ☐ \$200 ☐ \$100 ☐ Other \$ _____

Name: _____ Organization: _____

Address: _____ ZIP: _____

City: _____ State: _____

Telephone: (_____) _____ Fax Number: (_____) _____



Did Your Representative Back Your Interests?

Contact your representative about his or her recent vote on whether to limit Congress' ability to raise taxes.

Thank your lawmaker if he or she

voted for the constitutional amendment that would have required a two-thirds vote of both houses of Congress to raise taxes; tell your member you're disappointed if he or

she voted against the tax-limitation proposal. (See the story on this and other tax issues on Page 1A.)

Representatives are listed by district within their states.

VOTED YES

ALABAMA

- 1 Callahan (R)
- 2 Everett (R)
- 3 Riley (R)
- 4 Aderholt (R)
- 5 Cramer (D)
- 6 Bachus (R)

ALASKA

- AL Young (R)

ARIZONA

- 1 Salmon (R)
- 3 Stump (R)
- 4 Shadegg (R)
- 5 Kolbe (R)
- 6 Hayworth (R)

ARKANSAS

- 1 Berry (D)
- 3 Hutchinson (R)
- 4 Dickey (R)

CALIFORNIA

- 1 Riggs (R)
- 2 Herger (R)
- 4 Doolittle (R)
- 11 Pombo (R)
- 18 Condit (D)
- 19 Radanovich (R)
- 21 Thomas (R)
- 23 Gallegly (R)
- 24 Sherman (D)
- 25 McKeon (R)
- 27 Rogan (R)
- 28 Dreier (R)
- 36 Harman (D)
- 38 Horn (R)
- 39 Royce (R)
- 40 Lewis (R)
- 41 Kim (R)
- 43 Calvert (R)
- 44 Bono (R)
- 45 Rohrabacher (R)
- 46 Sanchez (D)
- 47 Cox (R)
- 48 Packard (R)
- 49 Bilbray (R)
- 51 Cunningham (R)
- 52 Hunter (R)

COLORADO

- 3 McInnis (R)
- 4 Schaffer (R)

- 5 Hefley (R)
- 6 Schaefer (R)

CONNECTICUT

- 4 Shays (R)
- 5 Maloney (D)

DELAWARE

- AL Castle (R)

FLORIDA

- 1 Scarborough (R)
- 4 Fowler (R)
- 6 Stearns (R)
- 7 Mica (R)
- 8 McCollum (R)
- 9 Bilirakis (R)
- 10 Young (R)
- 12 Canady (R)
- 13 Miller (R)
- 14 Goss (R)
- 15 Weldon (R)
- 16 Foley (R)
- 18 Ros-Lehtinen (R)
- 21 Diaz-Balart (R)

GEORGIA

- 1 Kingston (R)
- 3 Collins (R)
- 6 Gingrich (R)
- 7 Barr (R)
- 8 Chambliss (R)
- 9 Deal (R)
- 10 Norwood (R)
- 11 Linder (R)

IDAHO

- 1 Chenoweth (R)
- 2 Crapo (R)

ILLINOIS

- 6 Hyde (R)
- 8 Crane (R)
- 11 Weller (R)
- 13 Fawell (R)
- 14 Hastert (R)
- 15 Ewing (R)
- 16 Manzullo (R)
- 18 LaHood (R)
- 20 Shimkus (R)

INDIANA

- 2 McIntosh (R)
- 3 Roemer (D)
- 4 Souder (R)
- 5 Buyer (R)
- 6 Burton (R)
- 7 Pease (R)

IOWA

- 1 Leach (R)
- 2 Nussle (R)
- 3 Boswell (D)
- 4 Ganske (R)
- 5 Latham (R)

KANSAS

- 1 Moran (R)
- 2 Ryun (R)
- 3 Snowbarger (R)
- 4 Tiahrt (R)

KENTUCKY

- 1 Whitfield (R)
- 2 Lewis (R)
- 3 Northup (R)
- 4 Bunning (R)
- 5 Rogers (R)

LOUISIANA

- 1 Livingston (R)
- 3 Tauzin (R)
- 4 McCrery (R)
- 5 Cooksey (R)
- 6 Baker (R)
- 7 John (D)

MARYLAND

- 1 Gilchrest (R)
- 2 Ehrlich (R)
- 6 Bartlett (R)

MICHIGAN

- 2 Hoekstra (R)
- 3 Ehlers (R)
- 4 Camp (R)
- 5 Barcia (D)
- 6 Upton (R)
- 7 Smith (R)
- 11 Knollenberg (R)

MINNESOTA

- 1 Gutknecht (R)
- 3 Ramstad (R)

MISSISSIPPI

- 1 Wicker (R)
- 3 Pickering (R)
- 4 Parker (R)
- 5 Taylor (D)

MISSOURI

- 2 Talent (R)
- 4 Skelton (D)
- 6 Danner (D)
- 7 Blunt (R)
- 8 Emerson (R)

- 9 Hulshof (R)

NEBRASKA

- 2 Christensen (R)
- 3 Barrett (R)

NEVADA

- 1 Ensign (R)
- 2 Gibbons (R)

NEW HAMPSHIRE

- 1 Sununu (R)
- 2 Bass (R)

NEW JERSEY

- 1 Andrews (D)
- 2 LoBiondo (R)
- 3 Saxton (R)
- 4 Smith (R)
- 5 Roukema (R)
- 6 Pallone (D)
- 7 Franks (R)
- 11 Frelinghuysen (R)
- 12 Pappas (R)

NEW MEXICO

- 2 Skeen (R)
- 3 Redmond (R)

NEW YORK

- 1 Forbes (R)
- 2 Lazio (R)
- 3 King (R)
- 4 McCarthy (D)
- 13 Fossella (R)
- 19 Kelly (R)
- 20 Gilman (R)
- 22 Solomon (R)
- 24 McHugh (R)
- 27 Paxon (R)
- 30 Quinn (R)

NORTH CAROLINA

- 2 Etheridge (D)
- 3 Jones (R)
- 5 Burr (R)
- 6 Coble (R)
- 7 McIntyre (D)
- 9 Myrick (R)
- 10 Ballenger (R)
- 11 Taylor (R)

OHIO

- 1 Chabot (R)
- 2 Portman (R)
- 4 Oxley (R)
- 7 Hobson (R)
- 8 Boehner (R)

- 12 Kasich (R)

- 15 Pryce (R)
- 16 Regula (R)
- 17 Traficant (D)
- 18 Ney (R)
- 19 LaTourette (R)

OKLAHOMA

- 1 Largent (R)
- 2 Coburn (R)
- 3 Watkins (R)
- 4 Watts (R)
- 6 Lucas (R)

OREGON

- 2 Smith (R)

PENNSYLVANIA

- 5 Peterson (R)
- 7 Weldon (R)
- 8 Greenwood (R)
- 9 Shuster (R)
- 10 McDade (R)
- 13 Fox (R)
- 16 Pitts (R)
- 17 Gekas (R)
- 19 Goodling (R)
- 21 English (R)

SOUTH CAROLINA

- 1 Sanford (R)
- 2 Spence (R)
- 3 Graham (R)
- 4 Inglis (R)

SOUTH DAKOTA

- AL Thune (R)

TENNESSEE

- 1 Jenkins (R)
- 2 Duncan (R)
- 3 Wamp (R)
- 4 Hilleary (R)
- 6 Gordon (D)
- 7 Bryant (R)

TEXAS

- 1 Sandlin (D)
- 3 Johnson, S. (R)
- 4 Hall (D)
- 5 Sessions (R)
- 6 Barton (R)
- 7 Archer (R)
- 8 Brady (R)
- 12 Granger (R)
- 13 Thornberry (R)
- 14 Paul (R)
- 19 Combest (R)



21 Smith (R)
22 DeLay (R)
23 Bonilla (R)
26 Arney (R)
29 Green (D)

UTAH

1 Hansen (R)
2 Cook (R)
3 Cannon (R)

VIRGINIA

5 Goode (D)
6 Goodlatte (R)
7 Bliley (R)
10 Wolf (R)
11 Davis (R)

WASHINGTON

1 White (R)
2 Metcalf (R)
3 Smith, L. (R)
4 Hastings (R)
5 Nethercutt (R)
8 Dunn (R)

WISCONSIN

1 Neumann (R)
2 Klug (R)
6 Petri (R)
9 Sensenbrenner (R)

WYOMING

AL Cubin (R)

VOTED AGAINST

ALABAMA

7 Hilliard (D)

ARIZONA

2 Pastor (D)

ARKANSAS

2 Snyder (D)

CALIFORNIA

3 Fazio (D)
5 Matsui (D)
6 Woolsey (D)
7 Miller (D)
8 Pelosi (D)
9 Lee (D)
10 Tauscher (D)
12 Lantos (D)
13 Stark (D)
14 Eshoo (D)
15 Campbell (R)
16 Lofgren (D)
17 Farr (D)
20 Dooley (D)
22 Capps (D)
26 Berman (D)
29 Waxman (D)
30 Becerra (D)
31 Martinez (D)
33 Roybal-Allard (D)

34 Torres (D)
35 Waters (D)
37 Millender-McDonald (D)
50 Filner (D)

COLORADO

1 DeGette (D)
2 Skaggs (D)

CONNECTICUT

1 Kinnelly (D)
2 Gejdenson (D)
3 DeLauro (D)
6 Johnson (R)

FLORIDA

2 Boyd (D)
3 Brown (D)
5 Thurman (D)
11 Davis (D)
17 Meek (D)
19 Wexler (D)
20 Deutsch (D)
22 Shaw (R)

GEORGIA

2 Bishop (D)
4 McKinney (D)
5 Lewis (D)

HAWAII

1 Abercrombie (D)
2 Mink (D)

ILLINOIS

1 Rush (D)
2 Jackson (D)
3 Lipinski (D)
4 Gutierrez (D)
5 Blagojevich (D)
7 Davis (D)
9 Yates (D)
10 Porter (R)
12 Costello (D)
17 Evans (D)
19 Poshard (D)

INDIANA

1 Visclosky (D)
8 Hostettler (R)
9 Hamilton (D)
10 Carson (D)

KENTUCKY

6 Baesler (D)

LOUISIANA

2 Jefferson (D)

MAINE

1 Allen (D)
2 Baldacci (D)

MARYLAND

3 Cardin (D)
4 Wynn (D)
5 Hoyer (D)
7 Cummings (D)
8 Morella (R)

MASSACHUSETTS

1 Olver (D)
2 Neal (D)
3 McGovern (D)
4 Frank (D)
5 Meehan (D)
6 Tierney (D)
7 Markey (D)
8 Kennedy (D)
9 Moakley (D)
10 Delahunt (D)

MICHIGAN

1 Stupak (D)
8 Stabenow (D)
9 Kildee (D)
10 Bonior (D)
12 Levin (D)
13 Rivers (D)
14 Conyers (D)
15 Kilpatrick (D)
16 Dingell (D)

MINNESOTA

2 Minge (D)
4 Vento (D)
5 Sabo (D)
6 Luther (D)
7 Peterson (D)
8 Oberstar (D)

MISSISSIPPI

2 Thompson (D)

MISSOURI

1 Clay (D)
3 Gephardt (D)
5 McCarthy (D)

MONTANA

AL Hill (R)

NEBRASKA

1 Bereuter (R)

NEW JERSEY

8 Pascarella (D)
9 Rothman (D)
10 Payne (D)
13 Menendez (D)

NEW YORK

5 Ackerman (D)
6 Meeks (D)
7 Manton (D)
8 Nadler (D)
10 Towns (D)
11 Owens (D)
12 Velazquez (D)
14 Maloney (D)
15 Rangel (D)
16 Serrano (D)
17 Engel (D)
18 Lowey (D)
21 McNulty (D)
23 Boehlert (R)
25 Walsh (R)
26 Hinchey (D)
28 Slaughter (D)
29 LaFalce (D)

31 Houghton (R)

NORTH CAROLINA

1 Clayton (D)
4 Price (D)
12 Watt (D)

NORTH DAKOTA

AL Pomeroy (D)

OHIO

3 Hall (D)
5 Gillmor (R)
6 Strickland (D)
9 Kaptur (D)
10 Kucinich (D)
11 Stokes (D)
13 Brown (D)
14 Sawyer (D)

OREGON

1 Furse (D)
3 Blumenauer (D)
4 DeFazio (D)
5 Hooley (D)

PENNSYLVANIA

2 Fattah (D)
3 Borski (D)
4 Klink (D)
6 Holden (D)
11 Kanjorski (D)
12 Murtha (D)
14 Coyne (D)
15 McHale (D)
18 Doyle (D)
20 Mascara (D)

RHODE ISLAND

1 Kennedy (D)
2 Weygand (D)

SOUTH CAROLINA

5 Spratt (D)
6 Clyburn (D)

TENNESSEE

5 Clement (D)
9 Ford (D)

TEXAS

2 Turner (D)
9 Lampson (D)
10 Doggett (D)
11 Edwards (D)
15 Hinojosa (D)
16 Reyes (D)
17 Stenholm (D)
18 Jackson-Lee (D)
24 Frost (D)
25 Bentsen (D)
27 Ortiz (D)
28 Rodriguez (D)
30 Johnson, E.B. (D)

VERMONT

AL Sanders (I)

VIRGINIA

2 Pickett (D)

3 Scott (D)
4 Sisisky (D)
8 Moran (D)
9 Boucher (D)

WASHINGTON

6 Dicks (D)
7 McDermott (D)
9 Smith, A. (D)

WEST VIRGINIA

1 Mollohan (D)
2 Wise (D)
3 Rahall (D)

WISCONSIN

3 Kind (D)
4 Kleczka (D)
5 Barrett (D)
7 Obey (D)
8 Johnson (D)

DID NOT VOTE

CALIFORNIA

32 Dixon (D)
42 Brown (D)

FLORIDA

23 Hastings (D)

NEW MEXICO

1 (Vacant)

NEW YORK

9 Schumer (D)

NORTH CAROLINA

8 Hefner (D)

OKLAHOMA

5 Istook (R)

PENNSYLVANIA

1 (Vacant)

TENNESSEE

8 Tanner (D)

TEXAS

20 Gonzalez (D)

VIRGINIA

1 Bateman (R)

Chamber-Fidelity 401(k) Plan Popular With Small Firms

It has been nearly two years since the U.S. Chamber and Fidelity Investments teamed up to offer a low-cost, comprehensive retirement program to Chamber member companies. So far, the venture, known as the CHAMBERplan, has been a success, say Chamber and Fidelity executives.

Special Report

A recent survey conducted for Fidelity by Richard Day Research, Inc., of Evanston, Ill., found that only one-third of small companies offer retirement plans as an employee benefit. Among small firms that do offer retirement

programs, 45 percent have chosen 401(k) plans.

"The 401(k) is gaining popularity with businesses of fewer than 50 employees," says Peter J. Smail, president of Fidelity's Institutional Retirement Services. "The majority of new CHAMBERplans are at companies with a dozen or two [dozen] employees, and the program has been well-

received by small businesses because this packaged 401(k) is affordable and easy to manage." Fidelity has received more than 6,500 inquiries about the CHAMBERplan.

Joanne Schurgin, chief financial officer of Karen Teegarden and Associates of Birmingham, Mich., says her company picked the Chamber-Fidelity 401(k) after learning about it from one of her firm's clients. Karen Teegarden is a publisher's representative for major magazines; seven of the firm's 10 employees are in the 401(k) plan.

"The market we compete against offers 401(k) plans," says Schurgin, "and we wanted to be in a competitive position to attract good employees."

Engineering Management and



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Sue Curry, center, director of administration for Engineering Management and Economics, Inc., goes over materials on the Chamber-Fidelity 401(k) plan with employees Sundan Ravichandran, left, and Angela Loui.

atives. Participating firms report that they and their employees are pleased to have the new benefit.

The Chamber-Fidelity program was introduced in August 1996 and is designed primarily for businesses with fewer than 100 employees. It includes 401(k), Keogh, SEP-IRA, and SIMPLE—Savings Incentive Match Plan for Employees—plans.

Fidelity, based in Boston, provides investment management, record-keeping services, and employee-communications materials for the plans.

It also supplies each firm that signs up for the program with computer software that makes plan administration easy.

The 401(k) plan has been the most popular choice among program partici-



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Karen Teegarden, left, president of Karen Teegarden and Associates, and Joanne Schurgin, the firm's chief financial officer, chose the Chamber-Fidelity 401(k) plan to attract good employees.

Economics, Inc., of Rockville, Md., a computer software consulting firm, also signed up for the Chamber-Fidelity 401(k) plan. Four of the firm's 10 employees are in the plan.

"We thought it was important to have a way that employees could save and to have a good retirement plan," says Sue Curry, director of administration for the company. "So far, the [Chamber-Fidelity] plan has been great."

U.S. Chamber members receive a discount on the retirement plans. The cost of administering the 401(k) plan, for example, is \$1,400 a year plus \$28 per employee. Many financial-services firms charge \$3,000 to \$6,000 a year to administer such a plan.

For more information on the retirement plans offered by Fidelity and the Chamber, call toll-free 1-888-RET-PLAN (1-888-738-7526). For information on other Chamber benefits, go to www.uschamber.org on the World Wide Web.